

# FINANCIAL TIMES

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## WIPAC

NATURAL GAS IGNITERS

## NEWS SUMMARY

### GENERAL

## Atlantic flights demo at embassy

Growing anger over delays on cheap transatlantic flights led to a demonstration outside the U.S. Embassy in London, where stranded travellers handed in a protest letter.

The 40 protesters want the major airlines to change their policies and provide more scheduled services. Many of the passengers said they had waited almost a week for flights from Heathrow and Gatwick.

The demonstration was organised by 600 people who have been waiting in a car park near the Pan Am terminal at Victoria. Page 3

### Vance pledge on Middle East

Cyrus Vance, U.S. Secretary of State, said before leaving Washington for the Middle East that peace talks had reached a critical stage and the U.S. was willing to put forward fresh proposals to get them moving again. Page 2

### Trawler arrest

Bill Smith, the lone sailor whose trip from Scotland became a trail of mishaps, had an arrest order put on his trawler at Great Yarmouth. A writ for damage has been issued by the owner of a pleasure boat in the harbour. Page 2

### 'Vet diplomats'

President Giscard d'Estaing ordered a careful vetting of diplomatic lists and a review of diplomatic immunity in the wake of the spate of killings in Paris. Two Arabs, who killed two officials of the Palestinian Liberation Organisation, have told French police they were acting on the orders of Palestinian extremist leader Abu Nidal. Page 2

### RAF jet crash

Thick fog was hampering the search for the two-man crew of an RAF Phantom which crashed into the North Sea 80 miles off Aberdeen. A helicopter reported finding wreckage and an empty dinghy. Page 2

### Swap rejected

Former Soviet diplomat Arkady Shevchenko, now living in the U.S., has "refused" reports that he should be exchanged for the jailed dissident Anatoly Sharansky. A Soviet plan to swap the dissident for three spies held in the West has already been rejected. Page 2

### Submarine blast

A sailor died and six others were injured when an explosion rocked the French submarine Marsoulin during a test run off Lorient. The cause of the blast was not immediately known. Page 2

### Beirut deaths

Two people died and 16 were injured when shells hit the Moslem sector of Beirut. The worsening crisis is now becoming a war of attrition. Page 2

### Redundant jail

The only prison in Liechtenstein (population 25,000) has run out of customers. The last man was released three days ago so the jail is empty for the first time in five years. Page 2

### Briefly...

Police who chained and handcuffed striking medical staff have been strongly rebuked by India's Prime Minister.

Yacht was dismantled in collision with an oil tanker off Cowes, Isle of Wight.

Statue of Cecil Rhodes, Rhodesia's founder, has been defaced in Salisbury.

West German woman was given seven years' jail for spying by an East German military court.

Malcolm Fraser, Australian Prime Minister, was discharged without penalty after conviction for fishing in a Darwin wildlife sanctuary.

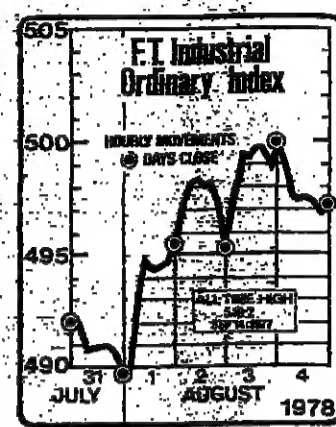
### CHIEF PRICE CHANGES YESTERDAY

RISERS	FALLS
Aaronson Bros. 81 + 6	North West Mining. 44 + 7
Bassett (G). 139 + 7	Palabora 480 + 20
Belhaven Brewery. 85 + 3	Pancosmical. 214 + 4
Burton A. 145 + 4	Adam & Gibson. 77 - 7
Cough Corp. 107 + 8	Allied Breweries. 84 - 3
Grant Bros. 107 + 4	Audiotronic. 15 - 2
Heron Motor. 147 - 12	Brown & Jackson. 182 - 11
Heywood Williams. 137 - 10	Pharos. 385 - 10
HK & Shanghai. 137 + 4	Hawker Siddeley. 375 - 12
Lyons (A). 137 + 4	Hoover A. 320 - 3
M.L. Holdings. 180 + 5	J.C. Gas. 368 - 12
Nan. Agency & Music. 92 + 3	Phoenix Timber. 183 - 7
Rachel Electronics. 279 - 17	Pilkington. 577 - 13
Simpson (S.) A. 108 + 5	Seaboard Metropolitan. 110 - 7
Technology Int. 108 + 5	Starling Credit. 35 - 4
U.D.S. 102 + 5	Thomson Org. 287 - 8
United Scientific. 335 - 17	BP. 534 - 12
Victor Products. 173 + 7	Shell Transport. 518 - 12
Yorkshire Chem. 28 + 4	Free State Gold. 518 - 12
Conzinc Riedt. 286 + 12	Free State. 584 - 3

### BUSINESS

## Equities down 2.7; Gold pulls back

● EQUITIES hovered around the 500 mark, but the fall in the price of Allied Breweries



on news of its agreed offer for J. Lyons brought the FT industrial index 2.7 down to 497.2.

● GILTS made improvement in shorts, while medium and long closed at overnight levels. The Government Securities index was 0.01 down to 70.96.

● STERLING closed quietly losing 63 points to 232.5. Its trade-weighted index was unchanged, and the dollar's depreciation narrowed to 30 per cent (31).

● GOLD fell \$1 to \$301.15 in London, and in New York, the Comex August settlement price was \$3.90 up at \$298.90.

● WALL STREET closed 1.56 up at 958.13, a new high for the year. In Hong Kong, the Hang Seng index at 1467.5 was its highest for five years, and in Canada, the Toronto composite index closed 4.8 up at 1218.3. Its highest close this year.

● EUROPEAN Investment Bank is raising \$100m in 12 years by the first dollar-denominated bond issue on the Japanese market.

● NATIONALISED INDUSTRY chairman gave protesters to the "Chrysler" the lack of adequate guidelines on company procedure in the public sector. Back Page

### LABOUR

● POST OFFICE engineers say they will not be stampeded by the Post Office into accepting a 371 hour working week recommended by mediators. Back Page

● B.I. CARS' manual workers could earn up to £15 a week under a new incentive scheme outlined by company negotiators. Page 3

● CIVIL SERVICE unions have been asked by their pay negotiators to examine areas where industrial action could have greatest effect if the Government attempts to impose a 3 per cent limit on their pay rise instead of a figure comparable with private industry. Page 3

● ROSS FOODS, a subsidiary of Imperial Group, is to close main fish processing factory in Hull, at a cost of 330 jobs. Hull's unemployment is already nearly double the national average. Back Page

● OIL TANKER driver shop stewards are to put in a wage claim of 20 per cent on basic rates and 50 per cent on overtime rates. Page 3

### COMPANIES

● PHOENIX TIMBER'S second half loss left pre-tax profits for the year to March 31 down at £11,000 against £23,500 on sales of £33,330m (£37,330m). Page 14

● SEAT, Spain's biggest car producer and Fiat of Italy, which already has a 36 per cent stake in the Spanish company, are holding discussions aimed at closer links between the two companies. Back Page

● FREEHOLD of Windmill Theatre in Soho, London, has been sold to theatre impresario Mr. Paul Raymond. Page 14

# Thorpe charge poses threat to Liberals

BY RUPERT CORNWELL

YESTERDAY'S dramatic culmination of a ten-month police inquiry into allegations of a plot to kill Mr. Norman Scott is bound to have a considerable impact not only on the Liberals but also on the two other parties as they prepare for the General Election, which looks all but certain this autumn.

Mr. Jeremy Thorpe, past Liberal leader, before appearing in Somerset magistrates' court, Minehead, informed Mr. David Steel, the Liberal leader, and Mr. Alan Beith, the Liberal Chief Whip at Westminster, that charges were to be levelled against him.

The threat to the Liberals is potentially the most serious, MPs and party officials were desperately hoping last night that after the immediate spate of headlines, public interest might subside and not too much harm done among voters at large.

But they are openly



## OVERSEAS NEWS

## Vance mission to restore damaged Mideast contacts

BY DAVID BUCHAN

WASHINGTON, August 4.

SECRETARY of State Cyrus Vance leaves for the Middle East tonight to assess for himself the damage done to the eight-month-old peace initiative by President Sadat's refusal to talk to the Begin government until it commits itself firmly to territorial withdrawals.

Mr. Vance told a congressional subcommittee that "if necessary, we will be prepared to put forward suggestions to bridge the gap and get negotiations back on the track." But such suggestions will not include the idea of a Washington summit between President Carter, Sadat and Prime Minister Begin, as has been reported here. Given the personal animosity now between the Egyptian and Israeli leaders, a summit was "the worst thing that could happen," one top administration official said today.

Yet resumption of direct talks at a lower level is the main goal of the Vance mission, whose

context has been radically changed by Mr. Sadat's latest move. Announced after last month's Mideast talks in England, the Vance trip had been designed to coincide with a meeting between Egyptian and Israeli foreign and defence ministers in the Sinai.

"We will not be looking exclusively at one side to make the first concession," one official accompanying the Secretary of State said. Mr. Vance will make it clear in Jerusalem, the first stop in his five-day trip, that Foreign Minister Moshe Dayan's recent statement to the Knesset that the issue of sovereignty over the West Bank could be discussed after a five-year period is a great improvement over Mr. Begin's earlier hard-line position, but more concessions in this direction are absolutely vital.

The Administration is aware of the extreme sensitivity of President Sadat, who now feels that

## General Motors to pull out of Argentina

BY JOHN WYLES

NEW YORK, August 4.

GENERAL MOTORS announced today that it is ending 53 years of car manufacturing in Argentina by closing two assembly plants employing 4,000 workers.

A carefully worded statement issued in Buenos Aires stressed that the decision owed nothing to government policies, and was taken after a thorough review of the company's economic situation and prospects in Argentina. However, some of the country's 11 auto manufacturers are known to have been unhappy at the Argentine Government's moves to open up the country's auto market to more foreign investment and competition.

General Motors sources indicate that its Argentine subsidiary

has been losing money in recent years although the actual losses have not been published. The number to Brazil, which has become a source of friction between the U.S. and Canadian governments, Mr. Fred Bergsten, Assistant Secretary at the Treasury, was due to have talks in Ottawa today to stress the U.S. annoyance at the government incentives the Canadians have offered Ford.

The increase, effective August 1, was the second boost of the minimum wage this year. It affects relatively few workers as most already earn more than \$75 a month. The average monthly wage for an industrial worker is \$225.

The military government has used wage controls and a series of fiscal measures to reduce inflation from 566 per cent to 170 per cent a year since March 1976. Workers have lost about 50 per cent of their purchasing power since then.

AP-DJ reports from Buenos Aires.

## U.S. truck sales booming

BY JOHN WYLES

NEW YORK, August 4.

U.S. AUTO SALES in July recorded their fourth consecutive monthly gain over the same period last year, reflecting the continuing strength of summer spending.

Overall sales were about 13 per cent higher than last July and the broad picture shows import deliveries continuing to fall and the sale of domestically produced trucks, many for private use, booming. Truck deliveries by all four of the Detroit companies took set for a record year with General Motors reporting a 32.9 per cent increase last month, Ford 17 per cent, Chrysler 44.6 per cent and American Motors 31 per cent.

But the passenger car picture is somewhat more patchy. With the help of extensive promotional campaigns, GM pushed its July sales up by 8.8 per cent while Ford managed only 2.7 per cent. Chrysler and American Motors on the other hand, both struggling for profits, suffered an 8.8 and 5.3 per cent decline respectively. Sales by domestic producers as a group rose by 4.2 per cent.

Although the total volume of car sales last month, including imports, was lower than in June which in turn was lower than May, aggregate domestic and foreign deliveries this year are on course for 11.3-11.5 million units and may be a shade higher than 1977 which was the second best year.

## Sharp rise in jobless rate

BY DAVID BUCHAN

WASHINGTON, August 4.

AFTER FALLING in June to the lowest level in almost four years, the U.S. unemployment rate last month rose sharply to 8.3 per cent compared to 5.7 per cent a month earlier.

The number of those with jobs went down by 400,000 last month, and this more than reversed the improvement in June compared to May when the unemployment rate was 6.1 per cent. The latest figures are not welcome to the Administration which had been counting on the improving employment trend as the one bright spot in an otherwise gloomy economic picture.

Nevertheless the Administration is probably still nearer the mark in predicting that unemployment will be below 6 per cent by the end of the year than it has been with its other targets for inflation and growth.

Counter attacking the Tax Cut Bill recently passed by the House Ways and Means Committee, Treasury Secretary Michael Blumenthal today said the administration is lending its full support to the Corson-Fisher amendment, proposed by two liberal democratic congressmen, that would give greater tax relief to all taxpayers earning less than \$50,000 a year and a reduction in the reliance on capital gains by \$300m overall.

The administration has sharply criticised the Ways and Means version as favouring the wealthy. Mr. Blumenthal, however, reiterated the need for a tax cut stimulus to the economy which he said would only grow by 3.4 per cent in the next year.

## Christians resist Lebanon troops

BY OUR FOREIGN STAFF

CHRISTIAN MILITIAS in South Lebanon have vowed never to allow into the area Government regulars sent to restore sovereignty, according to Israeli officials at the border town of Metullah.

The commander of the militias, Major Saad Haddad, has ordered his men to stop shooting at the regular forces, although he had earlier said his men would fight to prevent the 700-strong force from moving through Christian villages to take up positions near the Israeli frontier.

Meanwhile, in Beirut, four shells struck a west Beirut district yesterday and at least one person was wounded, eyewitnesses reported. The Right-wing Falangist radio said that Syrian artillery shelled two districts of east Beirut and several people were killed or wounded.

The radio had earlier said the barrage of shells had been fired from east Beirut indicated that lengthy talks yesterday between the Lebanese President, Mr. Elias Sarkis and the Syrian Foreign Minister, Mr. Abdel-Halim Khaddam had failed.

Major Haddad also had inconclusive talks yesterday on a compromise with Israeli and United Nations officials. They met at an Israeli military base. Major Haddad later asked his followers if they would agree to let the Lebanese regular force through their enclave.

"No, we shall never let them through," the militiamen, carrying assault rifles, shouted in reply. Reuter reported from Metullah.

South Lebanese Christians fear the Government regulars could be backed by Syria which would jeopardise their security.

## Gold price increase assists S. Africa

By Bernard Simon

JOHANNESBURG, August 4.

THE SURGE in the gold price has removed several constraints on the recovery of the South African economy, according to a report by the country's second-largest bank, Standard Bank.

Although many observers had expected the gradual upswing in the economy since the beginning of the year to peter out during the second half of 1978, the bank says that gold's contribution to export earnings "is freeing the country from some of the balance of payments constraints which have impeded a continuing recovery."

Each \$10 increase in the gold price raises South Africa's export earnings by roughly \$200m a year. Thus, it is estimated that an average price of \$190 in 1978, will raise gold earnings from \$2,800m last year to around \$3,700m.

The bank predicts that the consumer-led recovery will continue for some time. "Even without significant help from Government policies, a broadening number of sectors has joined the move away from a recession climate," the bank says. It adds that "confidence and great activity are returning to the property sector, mining, activity and mineral exports are on the rise again and the direct and indirect effects of this year's good maize crop are being felt."

The bank says that indications point to a further relaxation of the Government's fiscal and monetary policies, following tax cuts and a raising of the bank's credit ceilings earlier this year.

Referring to widespread speculation that a cut in the Bank Rate and the banks' overdraft rates is imminent, Standard Bank says that "there is now ample banking sector liquidity and strong downward pressure on interest rates which the authorities may not resist for much longer."

## Holland checks Brazil's A-plans

BY CHARLES BATCHELOR

AMSTERDAM, August 4.

HOLLAND HAS asked its Ambassador in Brasilia to investigate a report that Brazil plans to develop an atom bomb. In June, the Dutch Government secured parliamentary backing for its plan to export enriched uranium to Brazil, but met strong opposition because of fears that the uranium could ultimately be used to produce nuclear weapons.

The Deputy Prime Minister, Mr. Hans Wiegel, announced the inquiry after the weekly cabinet meeting in The Hague. He said, however, that the Dutch Government has no indication whatsoever that Brazil has plans to develop nuclear weapons. A Foreign Ministry spokesman said that embassies would normally investigate reports of this kind.

series of written questions asking

the Government to require Brazil to give an explicit denial that it will develop nuclear weapons. The government first attempted to get its proposals through Parliament in January but was sent back to get tighter safeguards from Brazil against the misuse of the plutonium which would be produced from the uranium. Brazil indicated that it was prepared to agree either to a permanent or an ad hoc system of storing the plutonium before deliveries start in 1981.

In a heated three-day debate at the end of June, Mr. Dries van Agt, the Prime Minister, conceded that this did not fully meet the wishes of Parliament. A Labour Party MP, Mr. Relus ter Beek has filed a series of written questions asking

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## Italy presses for 5% growth

BY PAUL BETTS

ROME, August 4.

ITALY'S MAIN political forces have reached broad agreement on a new three-year economic development plan aimed at giving the country what the Government calls "stable growth."

The target of the economic programme is a progressive increase of the annual rate of growth to 5 per cent by 1980, a reduction of inflation currently running at more than 12 per cent to single digits by the end of 1981, and the creation of some 900,000 new jobs during the plan's three-year period.

However, even several Cabinet Ministers agree that the figure of 900,000 new jobs is extremely optimistic. To achieve the objectives of the economic programme, the Government intends to cut back on the ever-expanding enlarged public sector deficit by reforming among other things the pension system and the health service.

At the same time, the Government is seeking to contain increasing labour costs and hopes to reach agreement with the trade unions on a ceiling in the increase of real wages next year. It also proposes to revise the current inflationary effects of automatic wage increase mechanisms. For its part, the labour movement appears reluctant at least far to agree to moderate wage claims or accept changes in its cost of living wage index system.

The Government's outline economic proposals were approved late last night by the Senate, which also approved the Communist and the Socialists, now supporting the minority Christian Democrat Administration of Sig. Giulio Andreotti.

Spurred aspects and details of the three-year plan and the 1979 budget are to be discussed immediately after the summer to Italy.

break in September.

The Government is clearly anxious to secure a final detailed agreement with the other political forces on its programme as soon as possible, especially since both the International Monetary Fund and the EEC apparently want to see the plan of state contracts and gain parliamentary approval before granting new standby facilities.

Following the U.S. withdrawal from the ILO last year on grounds that the agency was being used as an anti-Western instrument, well-placed ILO officials expressed fears that the Soviet Union would attempt to fire its people or those of its allies, into the top jobs.

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## Russian sacked by ILO

BY OUR OWN CORRESPONDENT

AT THE insistence of the Swiss Government, the International Labour Organisation (ILO) today sacked Mr. Gregory Minkov, a Soviet employee identified as a KGB agent.

Mr. Minkov, 51, married and with two children, had been with the ILO, a UN specialised agency, since 1968. He has returned to the Soviet Union. Switzerland has the right to request the UN and its agencies to fire any person suspected of being a security risk.

It was the first time in at least 20 years that any such request was made and Switzerland is understood to be showing its annoyance over Moscow's increasing use of UN jobs as covers for its espionage agents.

In June another Soviet official at the ILO, Mr. Vladimir Bukreyev, suddenly returned to Moscow after it became known that he also worked for the KGB. Bukreyev, who was not best known, had a highly influential position as director of ILO publications, giving him control over the content and distribution of all ILO literature, which is aimed in particular at the developing countries.

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## Anthony McDermott investigates the background to the latest spate of inter-Arab violence

## Middle East feuds come to Europe



Mr. Saddam Hussein, Iraqi Vice-President

THE MURDER in Paris on Thursday of the representative of the Palestine Liberation Organisation (PLO) again shows how much the tensions and rivalries in the Middle East have been transferred abroad.

In recent months there has been a spate of shootings, grenade-throwing and assassinations in what can best be termed "off-shore" violence. In many cases, the threat of involvement seems to lead back to Iraq. Officials tend to adopt a tone of "innocence" and argue that the Iraqi Government or other organisations on its soil are more plotted against than plotting.

It would be inaccurate to suggest that this kind of violence outside the Middle East is a new phenomenon. It would be equally untrue to suggest that Iraqis or Palestinians hold a monopoly of assassinations or terrorism. The Algerians after obtaining independence in 1962, for example, continued to sort out their political differences in Europe through assassination. Israel's secret service, lary the central Government in Baghdad has put down Kurdish rebellions. The most recent was in Lillehammer in July, 1973, suppressed after a surprise when a group of five murdered an innocent Moroccan in pursuit of their extreme Palestinian opponents.

In broad terms the visit of President Sadat to Jerusalem, although nominally a coalition where he broke every Arab taboo in going to Israel's capital and being seen to be negoti-

ing directly and openly with Israeli leaders, exacerbated tensions already present in the area and almost stimulated by Lebanese civil war. The massive security for the Egyptian-Israeli talks in Leids Castle last month indicated the concern that extremists would go to any lengths—as they did when they assassinated Mr. Youssef Sebal, the editor of Cairo's al-Ahram newspaper in Nicosia—to "punish" those who tried to break the deadlock through direct negotiations.

Iraq's peculiar internal and external policies provide interesting clues to what may lie behind the recent outbursts of violence. It always has been an extremely difficult country to rule. Even now it remains shrouded in mystery. In many cases, for example, highly suspicious of the threat of involvement seems to lead back to Iraq. Officials tend to adopt a tone of "innocence" and argue that the Iraqi Government or other organisations on its soil are more plotted against than plotting.

As a result Iraq's rulers have tended to suspect that outside forces have been tampering with its internal affairs. Iraq also feels itself to be the victim of the fact that its borders are largely a colonial inheritance, a monopoly of assassinations or terrorism. The Algerians after obtaining independence in 1962, for example, continued to sort out their political differences in Europe through assassination. Israel's secret service, lary the central Government in Baghdad has put down Kurdish rebellions. The most recent was in Lillehammer in July, 1973, suppressed after a surprise when a group of five murdered an innocent Moroccan in pursuit of their extreme Palestinian opponents.

The problem the Kurds presented to the Government, which although nominally a coalition where he broke every Arab taboo in going to Israel's capital and being seen to be negoti-

to its style of rule. For a disproportionate amount of independence—and even an elected assembly—was granted to one section of the community—in this case the Kurds; the Ba'athists were concerned that control in other areas might slip away. Thus since the coup of 1968 which brought in President Ahmed Hassan Bakr supported by his strongman, Mr. Saddam Hussein, the Vice-President, Iraq has had a measure of stability unknown for several years.

There have been attempts at coups—the most serious in July 1973 led by Mr. Nazim Kassar, the security chief—but President Bakr and Mr. Saddam Hussein, are far more professional than their predecessors at staying in power. This has military contributions, but is not without some cost and basically too far away to be the country is controlled by an intricate network of intelligence services which have never shied its policies are more extreme away from using violence or other torture when necessary.

Within the Middle East, Iraq finds itself drawn in opposite directions. On the Arab-Israeli dispute it rejects totally any form of a settlement with Israel. In the wars between the Arabs and Israel, it has made a military contribution, but is not without some cost and basically too far away to be the country is controlled by an intricate network of intelligence services which have never shied its policies are more extreme away from using violence or other torture when necessary.

If its policies towards Israel

predictably put Iraq at odds with Egypt and Jordan, it reserves special hostility for Syria with which it has a Ba'athist ideological schism dating back to 1966. This is in spite of the fact that both governments hold Ba'athism to be sacred, and both have similar political apparatuses: regional (i.e. Syrian or Iraqi) and national (i.e. pan-Arab) party commands and National Progressive Front coalitions.

The hostility with Syria has increased the more Damascus became involved in the Lebanon and effectively increased its hold over the Palestine Liberation Organisation (PLO). Furthermore the Iraqi government has been in open conflict with Fatah, the PLO's largest organisation which is headed by Mr. Yasser Arafat. Indeed, recently Mr. Arafat went so far as to say publicly that if he were assassinated the culprit would probably be found in the ranks of the Iraqi intelligence

services. The conflict between Fatah and the Iraqi government is made deeper through the presence in Baghdad of Abu Nidal, the nom de guerre of Sabri al-Banna, who was formerly the local PLO representative. In 1974 he was sentenced to death by Fatah for plotting to kill Mr. Arafat, and he heads, from the Iraqi capital, a small group mostly composed of the "Rejection Front" of sympathisers taken from Fatah. His followers have carried out operations under the name of the "Black June" organisation.

In the middle of last month, the PLO Central Council which acts as a liaison group between the National Assembly and the Executive Committee met in Damascus. One of its resolutions denounced "the hostile stand of certain Iraqis and their apparatuses" and condemned "the outrageous assassinations of Ali Nasser Yassin and Said Hammami." Mr. Hammami was

assassinated in London at the beginning of this year, and Mr. Yassin in Kuwait in June. Both were reckoned to be moderates within the PLO, as was Mr. Izzeddin Kalak the PLO's murdered man in Paris.

The Iraqi Government naturally says there is no proof that Abu Nidal or "certain Iraqi apparatuses" have been involved in these operations. But last month in an interview with Newswatch, Mr. Saddam Hussein said that "certain factions of the Palestinian resistance get our assistance without any interference in their aims and policies or the way they're carried out. The most we do is that when we see that their policies harm Iraq we tell them so and ask them to refrain from exploiting opportunities that reflect badly on us."

And while Iraq is pulled in one direction by its involvement with the Palestinians and the Arab-Israeli conflict, it is also deeply involved with the Gulf. Baghdad's rulers have earned a certain breathing space through its Kurdish agreement with Iran fighting Soviet-backed Ethiopian after years of tension. But they are acutely aware of the growing military strength of Iran and its expelled Soviet military advisers in November, 1977.

Drawing attention to Iraq's complex internal and external policies does not automatically imply that it is exclusively to blame for "offshore" violence. But Iraq is significant in that, and closer economic co-operation. It has mooted too Arab country, it is an example of a nation wracked by tensions from which also exist elsewhere in the region. On the first issue both the Middle East. The extreme Gulf states are hesitant to press inevitably led to the emergence of a large number of enemies because of the fear of radical political views. On the second, it is clear that the conservatives want to see a lessening of Soviet influence, while Iraq wants America out.

Even with its Communists, the Ba'athist Government is not fully at peace with the possibility of strains with Moscow. In May, 21 members of the Communist Party were executed for setting up secret cells within the armed forces and thereby breaking the pact under which the Communists originally joined the National Progressive Front. Iraqi officials maintain that internal and external policies in relations with Moscow are not in conflict.

But it is also a fact that Iraq and the Soviet Union are on opposite sides in conflicts in the Horn of Africa. According to U.S. intelligence sources, Iraq has been supplying its Kurdish rebels with Iranian fighting Soviet-backed Ethiopian after years of tension. But they are acutely aware of the growing military strength of Iran and its expelled Soviet military advisers in November, 1977.

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Mr. Yasser Arafat, PLO Chairman

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But it is also a fact that Iraq and the Soviet Union are on opposite sides in conflicts in the Horn of Africa. According to U.S. intelligence sources, Iraq has been supplying its Kurdish rebels with Iranian fighting Soviet-backed Ethiopian after years of tension. But they are acutely aware of the growing military strength of Iran and its expelled Soviet military advisers in November, 1977.

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Police help a wounded man after Thursday's attack on the PLO's Paris office.



## HOME NEWS

## Oil switch may cost Scots 22,000 jobs

BY RAY DAFFER, ENERGY CORRESPONDENT

THE SLOWER pace expected in North Sea oil development could cost Scotland 22,000 jobs over the next eight years, according to a report published yesterday.

The Department of Energy estimates that some of the 100,000 jobs in the UK are related to North Sea oil and gas projects, with half of them in Scotland.

Aberdeen University's department of political economy considers that the Scottish jobs may reach a peak of 55,000 in 1982, but will fall to 34,000 by 1988, when the emphasis of North Sea activity has switched from

development—the construction and installation of offshore equipment—to production.

The university's report, the result of a five-year study commissioned by the Scottish Office, highlights the need to increase Scottish involvement in offshore export markets and to establish "downstream" oil and gas processing industries, such as petrochemical plants.

The study team is doubtful about the role of regional policy making in relation to these new developments. It recommends that planning and predictions for the North Sea

should be made more open.

North East Scotland is said to have secured the greatest employment benefit from oil. With less than 15 per cent of Scotland's total population, it had nearly 55 per cent of Scotland's oil-related jobs.

Central Scotland, with 25 per cent of the population, had only 40 per cent of the jobs.

It was found that oil-related industries were paying above-average wages in some areas of the country, particularly the North East, but that there had been no relative movement in wages paid by traditional local industries.

## Plant makers want to limit liability

BY OUR CONSUMER AFFAIRS CORRESPONDENT

FACTORY MACHINERY should be excluded from any new legislation aimed at making manufacturers more liable for defective products, says the Process Plant Association.

Mr. Harry Hornsby, the association's director, comments that process plant manufacturers were not in a contractual relationship with consumers. "Those liable to injury from a defective plant would be the plant and not users' customers or the general public," he said. "Plant users' employees are simply protected by existing legislation."

Mr. Hornsby's comment was included in a submission to the CBI's working party on product liability.

The CBI has already made clear its view that new product liability legislation in Britain is unnecessary and could prove costly for industry. But the Government said this week that it would be considering a "selective" approach to liability, which would be limited to certain types of products, such as cars and electrical goods.

Mr. Hornsby, however, argues that although there is a case for strengthening the consumer's position on product liability, it would be a mistake to emulate the American system.

"This has resulted in outrageous claims," and some insurance premiums have been increased 25-fold because of the "excess" cost, he says. "The CBI's working party on product liability."

## Civil engineers attack intervention

FINANCIAL TIMES REPORTER

GOVERNMENT intervention, with state control of new legislation and training, would be bad for civil engineering, says the Institution of Civil Engineers in reaction to the Labour Party's policy document "Building Britain's Future".

The Institution describes the plan to set up a public procurement agency to organise the letting of public sector contracts as another level of bureaucracy, "which would be of no benefit to the country".

Its comments, sent to Ministers, MPs and Mr. Ron Hayward, Labour's general secretary, asks for assurance that "nationalisation and centralisation would not provide Party with increased understanding of how civil opportunities for switching the

industry on and off and hence amplify the changes in the work load rather than level them."

Denying Labour claims that competitive tendering is wasteful, the Institution says that the practice is used worldwide in all the most successful economies.

The cost of tendering to the contractor is a fraction of 1 per cent of turnover, adds the Institution, and is not unusual for clients to use selective tendering—asking only a select group of civil engineering contractors to provide efficiency to a tender.

In criticising the whole concept of centralisation, the Institution says that the Labour Party was showing "insufficient understanding of how civil opportunities for switching the

## McIntyre to control Radio 3

THE BBC has now confirmed that the man who master-minded the recent major restructuring of the corporation's radio services, Mr. Ian McIntyre, is to be moved to the job of controller, Radio 3.

The BBC's Radio 3 controller, Mr. John Peel, is to be replaced by Mr. McIntyre, who has been heavily criticised.

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## Tower lures 3m visitors

ADMISSIONS to historic buildings and monuments in England, increased by 9 per cent last year, according to English Heritage Monitor. Published by the English Heritage, the monitor records a record 3m paid admissions, an increase of 500,000. Perworth House in Sussex showed an increase of 54 per cent.

## Tax ombudsman

A CALL for a separate ombudsman to deal with complaints about taxation has been made in a letter to the Prime Minister by Mr. William Clark, MP, chairman of the Income Tax Payers' Society. The Commissioner for Taxation should be more accessible than the Parliamentary Commissioner, who can only be approached through an MP, he says.

## Stranded air travellers lobby envoy

BY LYNTON MCALIN, INDUSTRIAL STAFF

THERE WERE angry scenes outside the U.S. Embassy in London yesterday as a group of stranded travellers, transatlantic and charter airlines, handed a protest letter to the U.S. Consul General demanding more stand-by and budget seats on scheduled services.

Many of the passengers had waited almost a week for flights from Gatwick and Heathrow airports. The 40 protesters called on Mr. Norman Redden, the Consul General, to put pressure on large scheduled airlines to change their policies.

Many airlines advertise stand-by seats among their range of services, but as air travel out of Britain reaches an unprecedented summer peak, more than 2,000 would-be passengers have had to wait each day this week in the hope of getting a ticket.

at least she was assured that a flight eventually, but the travellers could be waiting at a scheduled airline terminal "for weeks."

The protest came as a U.S. charter airline, given permission by the Trade Department to fly home passengers stranded through the lack of scheduled capacity, flew its first batch of travellers from Gatwick.

Trans International Airlines, one of the world's largest charter carriers, was given the go-ahead on Thursday to use its spare capacity to help clear the backlog of passengers waiting for tickets at Gatwick and in London.

The Trade Department agreed that Laker Airways should act as the air travel organiser for TIA summer peak, more than 2,000 would-be passengers have had to wait each day this week in the hope of getting a ticket.

Thirty-six passengers were yesterday transferred to a TIA aircraft at Gatwick. The cost per seat was understood to be the same as that for a stand-by ticket on a scheduled airline.

The move came after the Civil Aviation Authority had announced plans on Wednesday to ease the growing congestion at airports in the south east. Airlines were now free to use all the aircraft slots located until the end of October.

Under existing rules, Pan Am, British Airways, TWA, El Al, Air France and Air India were allowed to offer a maximum total of 2,500 seats each week at stand-by rates.

## BNOC takes 25% stake in BP emergency vessel

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

THE BRITISH National Oil Corporation will have a 25 per cent stake in the 280m North Sea emergency support vessel to be built for the corporation and British Petroleum. It was announced yesterday.

As reported in the Financial Times earlier this week, it has been decided to place the contract with Scott Lithgow, the Lower Clyde member of British Shipbuilders.

BNOC's desire for a stake in the vessel has emerged only recently and it seems curious that the craft will be operated by BP and based in the Forth area, to which the corporation has no stake.

ment of Energy that it does not consider profitable North Sea oil companies as suitable subjects for such aid.

Energy Ministers are thus left with the task of persuading BP to buy British without the lure of a grant to offset the cost penalty.

At 25 per cent, the BNOC stake corresponds roughly to the BNOC's share in the Shipbuilding Intervention Fund been made available.

This is clearly not a device which the Government will be able to use to win all future emergency support vessel orders.

But Mr. Dickson Mabon, the Energy Under-Secretary, has made it clear on many occasions that he will do everything possible to prevent such orders going abroad.

## Interest

But it will have a 25 per cent share of the vessel's time for maintenance work in neighbouring fields in which it does have an interest. It also wants to gain more experience in employing a type of vessel which is still relatively new.

## Pontoons

Japanese shipyards claim to be able to build semi-submersible vessels of the BP type at not much more than half the British price.

The BP-BNOC vessel will be delivered in 1981. It will have twin pontoons with six vertical columns supporting accommodation for 220 people and work areas, along with a saturation diving complex, hospital, helicopter deck and fire-fighting equipment.

Propelled by twin, controllable pitch propellers, the craft will have full dynamic positioning in addition to a four-point anchoring system capable of 83 days of endurance in Beaufort sea scale 8.

## British Steel shuts three benzole plants

BY KEVIN DONE, CHEMICALS CORRESPONDENT

BRITISH STEEL (Chemicals) is closing three benzole refineries because of the recession in the steel industry and the depressed state of petrochemical markets.

The refineries are at Ravenscroft in Scotland, Port Clarence on Teesside, and Sarnborough. No redundancies are expected from the closures, and staff will probably be redeployed on other plants.

British Steel's chemicals division is building a 220m benzole refinery at Port Clarence to replace the old plants, but it is not expected to come on stream before May 1980.

amount of benzole available for refining.

The plants have been operating at little more than 50 per cent capacity. BSC benzole now be switched from the three old refineries to the Stavely Chemicals plant at Chesterfield.

The corporation has a 45 per cent stake in Stavely Chemicals, which it owns jointly with the National Coal Board (45 per cent) and Continental Oil of the U.S. (10 per cent).

The European market for benzene has been depressed for many months, partly because of cheap imports from the U.S. of benzene and derivative products, such as styrene.

Several other plants have been hit by weak demand. Esso Chemicals' 145,000 tonnes a year benzene plant at Fawley, near Southampton, has been closed for nearly two years, and no date has been set to bring the plant back into production.

At Grangemouth, BP Chemicals shut down its ethylbenzene and styrene plants earlier this year, and Imperial Chemical Industries is concerned about the poor profitability of all its aromatics plants at its Teesside production has reduced the

amount of benzole available for refining.

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## Airbus meeting ends

FINANCIAL TIMES REPORTER

DISCUSSIONS over possible British entry into partnership with other European manufacturers of the Airbus airliner ended yesterday with the ending of a further Ministerial meeting in London.

This involved Mr. Eric Varley, Industry Secretary, Mr. Joel Theudie, French Transport Minister, and Herr Martin Gruner, State Secretary in the West German Ministry of Economic Affairs responsible for aerospace.

The French Minister was backed by six officials, Herr Gruner by five and Mr. Varley by Sir Kenneth Berrill, head of the Central Policy Review Staff—the "think tank"—and officials from the Industry Department and the Foreign and Commonwealth Office.

The meeting followed similar discussions in Paris and Bonn on May 23 and July 20, when Ministers discussed the prospects of Britain's joining the European Airbus Industrie consortium to help build the A-300 version of the A-300 Airbus.

## Housing of 1.5m families below par

Financial Times Reporter

MORE THAN 1.5m households still live in circumstances which are unacceptable by today's standards, said Mr. Peter Shore, Secretary for the Environment, commenting on the findings of a national survey published this week.

The first provisional results from the national dwelling and housing survey showed a marked improvement in the housing standards of the country, he said.

Since 1971 the supply of housing has increased by nearly 1.5m, the number of households lacking exclusive use of basic amenities has fallen from 2.8m to 1.4m, the number sharing a home has fallen from 785,000 to 510,000, and the number of households with more than one person to a room has fallen from 220,000 to 75,000.

## Cash incentive possible at BL

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

BL CAR'S 100,000 manual workers could earn up to an extra £15 a week under a new incentive scheme outlined in negotiations with the trade unions yesterday.

Potential earnings are nearly double the £7 a week offered under a productivity deal rejected by the work force in a postal ballot earlier this year.

Mr. Michael Edwards, BL chairman, has emphasised that the early introduction of an incentive scheme is "crucial to the survival of the company."

The joint management/union negotiating committee discussed details of the scheme in Coventry yesterday, and will resume talks in two weeks. Hopes are high that broad agreement will be reached. Another postal ballot may be necessary, but the scheme could then be implemented very quickly.

The unions have committed themselves to parity—the idea of the same wage for the same job, regardless of plant. Management can be expected to insist that the same effort should also be expended, and to that end require free access and acceptance of the findings of industrial engineers, known as "time and motion" men.

The Leyland problem remains one of poor production. Low output levels so far this year have hampered the company's efforts to win a bigger share of what promises to be a record UK market.

Though manned to produce more than 1m cars a year, the State-owned concern at present seems unlikely to achieve the modest output target of 819,000 cars set by Mr. Edwards.

Management faces the difficult problem that more than 7,000 jobs must be shed before the end of the year just to bring the labour force into line with the

assembly lines.

The power to determine the timing and the pace of labour force into line with the

## Civil Service staff study action plans

BY OUR LABOUR STAFF

CIVIL SERVICE unions have been asked by their pay negotiating body to examine areas and establishments where industrial action could have greatest effect if the Government attempts to impose its 5 per cent pay rise limit instead of the findings of pay comparisons with private industry.

Some union leaders see scope for avoiding a direct clash in the flexibility clauses of the Government's White Paper, Winning the Battle Against Inflation, which allows room for awards similar to those made to the police and firemen for a small number of similar groups.

Others feel that their members will not accept even staked pay increases, but will want full and immediate implementation of the pay research findings, due to appear by mid-November.

Chances of a possible conflict with the civil servants, already bitter over their Stage Three pay deal, have been increased by the agreement made by the national staff side.

The staff side has asked unions to accept the Government's either preventing implementation of the pay research findings or becoming directly involved in pay negotiations.

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## Tanker drivers want 50% overtime rise

BY NICK GARNETT, LABOUR STAFF

A CLAIM for rises of more than 50 per cent on overtime rates was formulated yesterday at a national meeting of shop stewards representing oil tanker drivers who severely displaced petrol supplies earlier this year in a dispute over pay.

The claim, which has the backing of the Transport and General Workers' Union, incorporates a 30 per cent increase on the basic pay for the 10,000 drivers and a reduction in hours.

The claim is outside productivity payments the drivers are now trying to negotiate with at least three of the oil companies.

Further meetings of shop stewards representing drivers at individual companies will now be held before the claim is submitted.

A settlement is due in November.

The drivers' present weekly basic pay is £75 but overtime is based on a rate of about £59.50. Union negotiators say the last settlement included a forward commitment to lift the overtime rate to £75 at the end of this year, but some of the oil companies imply that this would have to be conditional on pay policy.

The new claim is for a basic £80 and that this should also be the rate on which overtime is calculated. Improvements in fringe benefits are also being sought.

Petrol deliveries were cut by up to 30 per cent, during the last dispute following tough sanctions imposed by the drivers.

## Aerospace workers want to meet Lord Beswick

STAFF UNIONS within British Aerospace are seeking an urgent meeting with Lord Beswick, the corporation's chairman, over what the unions warn is a severe shortage of skilled staff.

The corporation's joint staff unions committee, which represents 30,000 people in 19 factories, says the success of the industry is being jeopardised by its failure to recruit, train and retain sufficient qualified staff in technical and commercial areas.

The industry, with a high level of subcontracting, is fully stretched in coping with its current work load.

"We believe that the future

performance of the aerospace sector of British Aerospace will depend on improving its present wage levels, or further major staff wastage will ensue and future projects will be abandoned, thus causing major contraction in manpower and losing its ability to compete in world markets."

Such contraction and decline, says the committee would lead to the subordination of British Aerospace to other western manufacturers, particularly in the U.S.

The staff associations say the only way forward is by a rapid rise in wages to encourage staff retention and recruitment of the best personnel.

Polaris blacking backed

BY PHILIP BASSETT, LABOUR STAFF

DOCKYARD WORKERS at naval bases on the Clyde voted yesterday to accept the recommendation from their shop stewards to black work on the Polaris submarine Resolution in support of a pay claim for 183,000 industrial civil servants.

Meetings of 2,500 workers at the three Clyde-side bases of Faslane, Coulport and Arbroath decided overwhelmingly that all work except that essential for health or safety reasons, should be blacked.

Mr. Eddie McLafferty, chair-

man of the shop stewards' advisory committee, said after the meeting that a decision had not been taken to make the action more effective beyond blacking the submarine, although shop stewards did have plans in mind. Workers at the bases are considering sit-ins against any further lock-outs by the Navy.

The Resolution returned to the Clyde after being relieved at sea by Revenge. Mr. Fred Mulley, Defence Secretary, ordered the navy in last week to free the Revenge from blacking by dockyard workers.

Strikes end at two docks

STRIKING maintenance men at Southampton and King's Lynn have agreed to return to work on Monday, the British Docks Board said yesterday.

Strikes by maintenance men who want parity with registered dock workers continue at Hull, Goole, Grimsby, Immingham, Swansea and Newport.

Summer in Victoria. Youngsters cheerfully face a long wait for cheap flights.

The aviation authority's order queues of those waiting for tickets to call off their work to rule, the Association of British Travel Agents said yesterday. Some aircraft were still out of face delays in spite of the decision by French air traffic control.

British holidaymakers flying south this weekend could still face delays in spite of the decision by French air traffic control.

British holidaymakers flying south this weekend could still face delays in spite of the decision by French air traffic control.







## THE WEEK IN THE MARKETS

## So near but so far

However unintentionally Allied Breweries has done its bit to keep the Financial Times Industrial Ordinary Index below the 500 barrier. By the middle of the week the index had less than two points to go and it seemed only a matter of time before the magical figure was breached. But then came the announcement that Allied had sold its big investment in Trust Houses Forte which took the institutions a little time to absorb.

On Thursday the index closed within a whisker of 500 even though the hopes of a cut in the Minimum Lending Rate were unfulfilled. Still the interest in second time stocks pushed the All-Share Index to a new all-time peak and it seemed a foregone conclusion that the Ordinary Index would pass 500 on Friday. But that was until Allied—a constituent of the 30 share index—made its bid for J. Lyons. At 10 am the index, excluding Allied, actually passed the 500 mark, but there after prices drifted lower on a broad front.

## Piran no saint

Saint Piran, the mining and construction group, was effectively fined £56,000 this week for what the City Take-over Panel described as "regrettable lack of care".

Eight days ago the chairman of Saint Piran, Mr. W. J. R. Shaw, teleaxed instructions from Bangkok to two separate brokers telling them each to buy 500,000 shares in Orme developments. This purchase brought the total stake owned by Piran and other parties considered to be acting in concert to 30 per cent level at a time when the 30 per cent level is required under the Take-over Code. But Mr. Shaw had no intention of making

ing a bid. He had not realised that Piran was considered by the Panel to be acting in concert with other parties, mainly Messrs. Bob Tanner and Peter Whitfield.

Piran still does not accept that it was acting in concert with Messrs. Tanner and Whitfield although it quickly obeyed the Panel's order to sell back the 1m shares, adding a loss of about £56,000 to the process.

Piran could have appealed against the Panel's ruling but in doing so it would have run the risk of facing a more daunting

spending allowable before PRT is payable from 175 per cent to 135 per cent. This gives the government an extra £2bn over the next seven years and has the effect of reducing annual company earnings by amounts which are still a matter of considerable argument among the analysts.

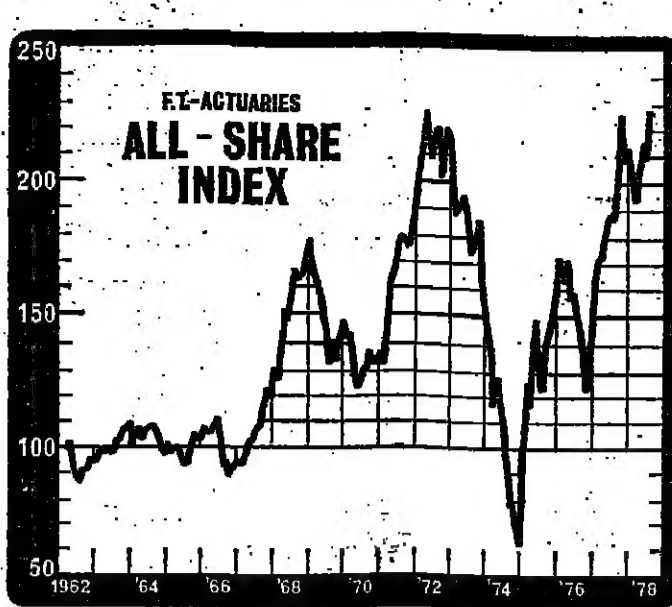
The oil stocks underperformed the market during the week but the trend was rather erratic, reflecting a combination of reflex reaction to Government intervention and an initially overoptimistic view by speculators. By Thursday prices had recovered a little as analysts focused on the cash flow side of North Sea oil exploitation.

But yesterday the prices turned down again, partly because of the weakness of the overall market but mainly because of a further reappraisal of profit prospects of individual North Sea operators. Wood McKenzie, for example, on Thursday felt that the changes would cost BP at least 10p a share in earnings next year. By Friday the breaking firm was indicating that 10p could be a bit on the low side. Other firms were suggesting a cut of as much as 16p.

While the changes have still to be included in a finance bill and there is a very strong possibility of an election before next year few analysts were taking much comfort from the possibility of a change of Government. The opposition stopped short of a denunciation of the plans when the matter was raised in Parliament.

## Consumer trends

The consumer boom is certainly evident in the figures from two retailers this week. Dixons Photographs' profits



rose a tenth to £9.5m may look pedestrian but it is Weston Pharmaceuticals, acquired a couple of years ago, which has let the side down. The traditional retail outlets are showing a firm jump in profits to £3.85m. Elsewhere Waring and Galloway, which has a heavy commitment to furniture retailing, managed a very good rise in profits.

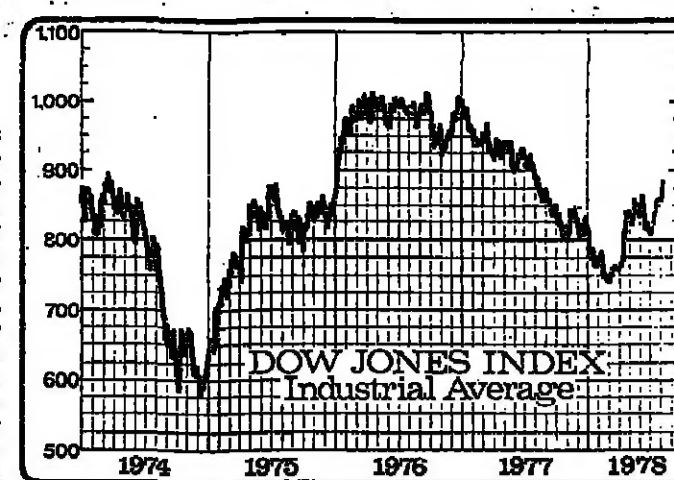
But this buoyancy is leaving manufacturer Hoover out in the cold. Interim figures to June show sales unchanged at £95m and pre-tax profits down to £3.82m against £7.67m.

The question that remains unanswered is how Hoover could miss out when consumer spending is apparently so strong. Destocking by retailers is a factor, but by no means the whole story. The industry figures for home manufacturers' deliveries show automatic washing machines up 26 per cent and cleaners up 36 per cent in value terms during the first five

## In hope

THERE ARE several reasons why for the non-participant the New York stock market is more often than not one of the best shows in town. One of the most enjoyable is its willful and repeated tendency to ignore expert opinion. These experts, it should be understood, are non-productive in Wall Street terms. They sell no stocks and neither do they go out on the road much rounding up new clients. They are paid very substantial salaries to analyse and explain the economic world around them on the very correct assumption that investors are looking for guidance about when to commit their money and to what.

Nevertheless, with some regularity the men who manage the billions of investment dollars in pension and trust funds, banks and insurance companies appear to sweep all of the learned advice off the desks. Like a herd of wild antelope, they raise their noses to the wind and respond to a primal instinct which often sends one and all galloping in the same direction which may lead to a precipice or to new green, and profitable, pastures. A gallop of sorts has most definitely got under way on the New York Stock Exchange this week for reasons which most expert opinion find definitely dubious. For the



largely, it seems, because it has captured the odour of falling interest rates. "The market is telling that interest rates are not going to go any higher," said a bemused Mr. Alan Lerner, senior economist at Bankers Trust. Mr. Lerner expects interest rates to go higher, so do Merrill Lynch's economists and even Mr. Erich Heinemann of Morgan Stanley (whose collective house view is that interest rates are at or very near their peak) has forecast further increases of up to 75 basis points.

Dr. Henry Kaufman of Salomon has just completed his usual exhaustive mid-year analysis of the outlook for the credit markets and concluded that "the current unprecedented mushrooming of credit demands will continue over the 12 months ended June 30, 1979" and that as a consequence "upward pressures upon interest rates will remain quite strong and will last sometime into 1979."

Two phenomena appear to have persuaded many investors to turn a deaf ear to these heavyweight views. One is the expressed hope of Mr. G. William Miller, chairman of the Federal Reserve Board, that interest rates are near their peak and that credit conditions will be easier by next year.

Mr. Miller's influence on investors first became apparent in mid-April when it will be remembered the stock market

in faithfully reporting expert opinion, had retailed the view prices and trading volume. Such was its vigour that it was the labelled "Miller's market" coming weeks. But, having because the Federal Reserve chairman was credited with herding has decided otherwise putting fresh heart into in-

## NEW YORK

JOHN WYLES

## THE TOP PERFORMING SECTORS IN FOUR WEEKS FROM JULY 4

	% Change
Insurance (Life)	+14.5
Hire Purchase	+14.0
Insurance (Composite)	+14.7
Building Materials	+14.4
Property	+14.2
Electronics, Radio TV	+13.9
All-Share Index	+9.9

## THE WORST PERFORMERS

Office Equipment	+4.3
Toys and Games	+4.1
Misc. Financial	+4.1
Overseas Traders	+3.5
Oil	+3.0
Newspapers, Publishing	+2.9

## MARKET HIGHLIGHTS OF THE WEEK

The following table lists the changes in the FT 30-share index and its constituents since the 1978 index low was recorded on March 2. The FT Gold Mines index is also shown.

	Price	Change	1978	Low
	1978	since	Mar 2	
Ind. Ord. Ind.	497.2	+63.8	499.9	433.4
Allied Breweries	84 1/2	+4 1/2	94	78
BOC Int.	72 1/2	+8	79	63
Beecham	700	+105	705	583
Blue Circle	272	+49	273	220
Boots	222	+38	221	184
Bowater	196	+25	205	163
BP	834	+114	894	720
Brown (I.)	434	+158	434	231
Cadbury Sch.	58	+9	59	48
Courtaulds	122	+14	131	109
Distillers	199	+34	200	163
Dunlop	73	+5	90	71
EMI	148	+7	150	125
GEC	284	+49	286	233
Glaxo	593	+75	610	515

## U.K. INDICES

	Price	Change	1978	Low
	1978	since	Mar 2	
Grand Met.	117	+30	118	87
ICI	285	+20	287	248
Rankine Sid.	230	+64	238	166
ICI	389	+61	396	328
Imperial Gp.	84	+11	84	71 1/2
Longbridge	74	+11 1/2	74 1/2	61
Lucas Inds.	324	+84	324	240
Marshall & S.	165	+28	167	135
P. & O. Dtd.	88	+7	118	83 1/2
Plessey	99	+9	103	87
Tate & Lyle	170	+21	218	164
Tube Invs.	398	+22	396	336
Turner & N.	790	+10	209	166
UDS	102	+20	102	82
Vickers	180	+2	199	160
Gold Mines Ind.	185.1	+22.5	191.5	130.3

## Gold shares pause for breath as bullion cools

GOLD and gold-share markets have turned distinctly cooler this week after the previous excitement. Admittedly, the bullion price jumped to a new record of just under \$208 per ounce at one time on Tuesday, but it quickly boiled over to close the day at \$202 1/2. Over the week, in fact, daily closing prices have been hovering at just over the \$200 level and the market appears to be in a period of consolidation.

Not surprisingly, there has been profit-taking in gold shares after the recent strong advance, but it has been well absorbed by the market. And investors who anticipate a further advance in the gold price after the market has settled down have been taking the opportunity to make their share purchases in the more stable conditions.

They may be taking the right line. But forecasting day-to-day movements in any commodity price, especially one which has just made a strong advance, is a foolhardy exercise. Near-term gold prices could easily take a tumble, especially if the U.S. dollar should rally after its heavy fall.

There is an old Stock Exchange adage that goes back to the "Kaffir boom" days, and says, "maybe even further, which says that Western Holdings that nobody ever gets in at the bottom and gets out again at the top. Those who make money are the ones who are prepared to take a longer term view of the market trend and who are prepared to leave some potential profit to the other man.

As far as gold is concerned, the underlying strength of the industrial demand for the metal coupled with the still unresolved doubts about paper currencies in general suggests that its price has a firm base and is still in an overall rising trend, despite the possibility of hiccups on the way up.

South African gold shares look to be similarly placed, but the main difference is that Odd man out in the OFS they have to live with a declaration of political intent which is due to declare a situation and any severe interior. In this case the sug-

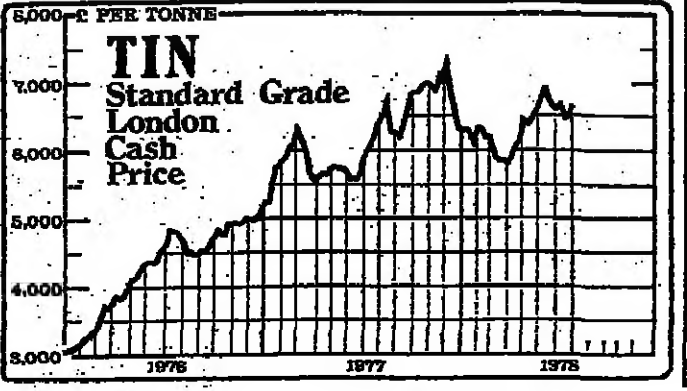
gested payment is 30 cents against 25 cents a year ago when the subsequent final was 30 cents. But in view of the gold-uranium mine's excellent quarter profits other observers are looking for a payment of 40 cents.

Final dividends expected from the Evander mines include 3 cents for 1976-77.

## TIN OUTPUTS COMPARED

	June	May	Total	Same
	1978	1978	to date	period
	tonnes	tonnes	(tonnes)	previous
Amal. of Nigeria (tin)	171	124	419	524
Amal. of Nigeria (columbite)	28	26	54	47
Aokam	107	111	1,563	1,288
Ayer Hitam	158	159	1,794	1,432
Berchamal	381	340	721	525
Bisichi Jantar (tin)	23	9	1993	2031
Bisichi Jantar (columbite)	204	4	194	188
CRU Sri Triam	1644	194	749	6934
Ex Lands Nigeria	162	162	154	125
Geopeng	103	100	301	277
Gold and Base (tin)	4	4	101	106
Gold and Base (columbite)	123	138	1,247	1,387
Gopeng	18	15	103	101
Ibris	37	35	108	123
Kent (PMS)	4	4	102	111
Killinghall	19	43	466	580
Kinta Kelas	1	1	500	652
Kuala Lumpur	1	1	20	89
Lower Perak	22	31	53	49
Malayan	228	187	2,568	2,312
Pahang	4	145	1,463	1,692
Pengkalen	94	91	783	1,488
Petaling	130	130	955	740
St. Piran—Far East	117	39	873	123
St. Piran—UK (South Croft)	211	219	600	589
St. Piran—Thailand	96	81	281	287
Southern Kinta	151	151	408	437
Southern Malayan	185	132	1,978	2,178
Sungai Besi	161	147	455	401
Tanjong	4	14	27	912
Tongkah Harbour	42	28	427	614
Tromoh	177	220	1,220	1,072

\* Figures include low-grade material. † Not yet available. Outputs are shown in metric tonnes of tin concentrates.



# Gartmore High Income Units

## 9% p.a. now

with prospects of growth in income and capital.

This offer of High Income Units by Gartmore gives you an opportunity to get 9% gross yield from an investment which is mainly in equities.

What is more, it is managed by a professional team with a successful record in high-yield investments.

The portfolio consists of shares in over 200 different companies, many paying above-average dividends, in which the dividend is not only reasonably secure, but offers prospects of growth in the future. Now that dividend limitation is to continue, there are advantages in investing in shares that have a high yield.

A number of the holdings are recovery situations where the shares are, we believe, undervalued and so have above-average potential for capital growth.

## Impressive performance.

Since the launch in March 1975 the offer price of the Units has increased by 130.3% (as at 4th August 1978) compared with a rise in the FT Ordinary Share Index of 80.8%.

In addition to this capital performance, original unit holders have received a total gross income of £48.35 per £100 invested at the Trust's launch.

Over 80% is invested in equities with the remainder spread over preference shares, convertibles, cash and gilts. These proportions may be altered as investment conditions change, but the Trust will always be mainly invested in equities.

Our primary aim is to provide an above-average level of income, together with a measure of long-term capital growth.

Remember that the price of units and the income from them can go down as well as up.

You should regard your investment as a long-term one.

## Chosen by professional advisers.

About two thirds of the money invested in Gartmore unit trusts (now totalling £35 million) has come not directly from the public, but through stockbrokers, banks, solicitors and other professional advisers.

The reason for this is that Gartmore's name is widely known and respected among one of the most exacting audiences in the world—the professionals of the City of London. The parent company manages no less than £650 million of funds for investment trusts, insurance companies, private client accounts and pension funds.

## How to invest.

You can invest from £200 upwards. To apply, fill in the coupon below and send it to Gartmore Fund Managers with your cheque. Or consult your professional adviser as soon as possible.

Units are available at the daily quoted offer price and yield published in most newspapers.

Applications will be acknowledged, and certificates will be forwarded by the Managers within six weeks of receipt of your cheque.

You can sell your units back to us at not less than the minimum bid price on any dealing day you will be sent a cheque within seven days of the Managers receiving your nomination certificate.

The Trust is incorporated and administered by a Trust Deed dated 20th October 1975.

Income is distributed on 15th March and 15th September. Unit holders will receive their first distribution in March 1979. Distributions are paid after deduction of income tax at the basic rate. Income tax can be reclaimed from the Internal Revenue if you are entitled to do so.

A management charge of 0.5% is included in the price of the units. Out of this the Managers will pay commission of 0.1% to authorised agents. There is an annual charge of 0.5% of the value of the fund which is deducted from income, and which is also allowed for in the estimated current gross yield.

The Trust is a Medium Bank Trust Company Ltd. The Managers of the Trust are Gartmore Fund Managers Ltd., 25 St. Mary Axe, London EC3A 8EP. Telephone 01-253 3521 (Manager of the Unit Trust Association).

Directors: D. B. L. Dickson (Chairman), W. Campbell, Allan C. A. M. Armstrong, A. J. R. Collins, N. Stevenson, J. C. A. J. Thompson, C. A. J. Thompson.

The offer is not available to residents of the Republic of Ireland.

Fill in the coupon and send it now. To: Gartmore Fund Managers Ltd., 25 St. Mary Axe, London EC3A 8EP. (Dept. No. 117/333. Regd. address only.)

Tick Box: ☐ I/we should like to buy Gartmore High Income Units in the value of (£/M, £, p, d).

☐ If you want maximum growth by automatic re-investment of net income.

☐ If you want to know how you can receive a regular high income each quarter.

☐ If you would like details of our Share Exchange Service.

☐ If you are enclosing a withdrawal.

☐ I/we enclose a remittance, payable to Gartmore Fund Managers Ltd.

\* For your guidance the offer price of Gartmore High Income Units on 4th August 1978 was 63.1p sd.

I/we declare that I/we are not resident outside the Scheduled Territories and that I/we are not acquiring the units as the nominee(s) of any person(s) resident outside the Scheduled Territories. (If you are unable to sign this declaration it should be signed and your application lodged through an authorised depository.)

SURNAME (MR, MRS, MISS) \_\_\_\_\_

FIRST NAME(S) IN FULL \_\_\_\_\_

ADDRESS \_\_\_\_\_

SIGNATURE(S) \_\_\_\_\_

(If these are joint applications all must sign and attach names and address separately.)



## FINANCE AND THE FAMILY

## Income tax and age allowance

BY OUR LEGAL STAFF

In your answer under Income Tax and age allowance (June 17) you stated that the tax free NSB interest of £70 x 2 (to a joint account of husband and wife) does not affect age allowance. However, as the interest is required to be entered in the tax return does it enter in the calculation of investment income surcharge?

Not section 414 of the Taxes Act says that "those sums shall be disregarded for all the purposes of the Income Tax Act, other than the furnishing of information."

## Interest on legacy

Under Interest on legacy (June 24) you stated that the rate of interest is 4 per cent from the date of death. I recently read that the rate of interest is now 3 per cent and that it starts to run from the end of the first year. What, please, is the position? In my recent role as executor I have found that insurance companies do not pay out any money until grant of probate has been obtained. Does the 4 per cent apply to them?

It is correct that Order 44 Rule 19 of the Rules of the Supreme Court was amended with effect from January 1, 1973 to set interest on legacies at 5 per cent per annum beginning at the expiration of 1 year after the testator's death. However, that rule governs the position

where an account is directed to be taken by a judgment of the court. Otherwise the ordinary rule under the general law still applies namely that interest is at 4 per cent and runs from the date of death if the legacy is charged on realty but otherwise from the anniversary of the testator's death.

Insurance monies are not a legacy. If however the contract of insurance provides for payment on death you would be able to recover interest under the Law Reform (Miscellaneous Provisions) Act 1934 if you sue for payment of the monies, but not if you recover them not through litigation.

## Collecting ground rents

I refer to your reply under Collecting ground rents (July 3). I have to pay a chief rent of £30 a year on some properties, only one of which I now own. Another owner is supposed to pay me £13.60 a year, after collecting from others. I have the utmost difficulty in getting this money out of him. Can I opt out and just pay my own share?

You can only "opt out" as you suggest by persuading the owner of the reversion, i.e. the person to whom you pay the rent to enter into a legal, or formal, apportionment of the reversionary interest in a house, which the life tenant wishes to sell, and to replace by a small

flat, to object? Is there anything one can do apart from placing a caution at the Land Registry, so that nothing is done precipitately? The house concerned was chosen about 12 years ago by the life tenant, with full knowledge of the terms of the trust.

## Extension of lease

We bought a house on a 37 year lease in 1949. It was divided into two flats, one of which has now fallen vacant, and we would like to buy the freehold, so that it could go to our daughter on her forthcoming marriage and if she could occupy the vacant flat. However, due to the shortness of the unexpired portion of the lease, the landlord is not willing to sell. What do you suggest we do?

If your daughter lives in the property as owner of it for over five years, she would be entitled to an extension of the lease for a further 50 years, but at a higher rent, on the determination of the original term of the lease. Alternatively she could purchase the freehold after the five years' qualifying period.

## Tenant and remainderman

What rights has the remainderman with a vested reversionary interest in a house, which the life tenant wishes to sell, and to replace by a small

flat, to object? Is there anything one can do apart from placing a caution at the Land Registry, so that nothing is done precipitately? The house concerned was chosen about 12 years ago by the life tenant, with full knowledge of the terms of the trust.

You should make your position and views known to the trustees. They have a duty to hold an even hand between life tenant and remainderman. Without knowing the precise terms of the trust instrument we cannot advise fully, but it is possible that the life tenant cannot require the trustees to purchase a different house without the remainderman's consent. We think that it would be appropriate to place a caution on the registered title, and you could be liable in damages for doing so without grounds in law to support the caution.

## A power of attorney

How may a power of attorney be revoked, i.e. withdrawn after it had been given?

A power of attorney which is not expressed to be irrevocable may be revoked by the donor or incapacity of the donor or the power or by her revoking the power by deed or under hand, or even by word of mouth, provided notice is given to the donee.

## Certificate of use

In your answer of December 14 last under Useless Piece of Land you state "Moreover, it is not at present apparent why you cannot build... on the land, as there must have been an established use." We own a farm on which stood a country house, which, until in 1965 it was demolished following a fire, was for a few years being used as a school. What is your opinion on established use in this case? We have been advised that the local council's policy is to ignore it.

The planning authority is not entitled to ignore established

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

use if there is indeed such a use. You can indeed apply to the authority for a certificate of established use under Section 94 of the Town and Country Planning Act 1971. There would be an established use if the use as a school was begun before January 1, 1964, and had continued for four years. Thus if the school was from, say, 1959 to the fire in 1965, that would be the established use.

## Subsidence caused by a tree

As a result, possibly, of the drought of 1976, the excessive water uptake of a chestnut tree is considered to be the cause of subsidence to my garage by a local builder who specialises in such problems. Do you consider I would succeed in a claim for damages against my neighbour, without litigation? What sort of evidence would be required?

We see no reason why you should not succeed in a claim for damages, but ultimately the only way to enforce a claim is by litigation. When you say the water uptake of the tree "is considered" to be the cause of subsidence, presumably the builder who considers this to be the case, can provide some evidence.

## Registering a transfer

Our reply under the heading Registering a transfer (July 8) was not correct. Under the terms of the Exchange Control Act 1947, a UK registrar may not register a transfer unless either it is lodged by a UK Authorised Depositary or is lodged with declarations as to residential status made by an Authorised Depositary.

This is a basic rule to which the only relaxation is in respect of the winding up of estates of UK residents. In that case the executors or administrators may lodge the transfers which will be accepted by the UK registrar provided that the beneficiary is a UK resident and the securities are quoted sterling securities.

## Faith and figures

THE BRITISH insurance market, both companies and Lloyds, enjoys a high reputation, so I must admit to being bothered when I hear or read allegations of bad faith against insurers, whether these be against individual companies or syndicates, named or unnamed, or against the market generally. My anxiety is increased when I read the comments of colleague Eric Short last Saturday.

Eric, you will recall, was discussing some aspects of domestic under-insurance and had quite a lot to say on the application of the principle of average to claims by under-insured policyholders. Saying, "There are rumours that certain insurance companies are using averaging even though there is no specific clause in the policy," he went on to give his opinion that if indeed this is happening such action is to be thoroughly deplored.

I am no better informed than he about what is happening, but I do not share his view that such action is to be deplored, because I firmly believe that far too many policyholders get away with deliberate (rather than inadvertent) under-insurance at the expense of the few who arrange adequate cover. I equally firmly believe that far too often insurers, whatever their reasons, fail to bring home to those policyholders the errors of their ways, by the best means possible—by paying less than the amounts claimed, as is their lawful entitlement.

Let us go back to insurance fundamentals. Each one of us, when buying cover, whether for car, home, or person, must disclose all material facts, whether property insurance, whether commercial or domestic, the value of the property to be insured is almost without exception a material fact.

This value fixes insurers' financial limit of liability and many control the amount they reinsure for self protection: it is the yardstick on which the appropriate rate of premium is charged; it is one of the underwriting factors which insurers use in deciding the terms and conditions they will apply. In the domestic field, the proposer has to state the full value of his house or flat, or the contents, as the case may be—either in answer to a positive

question or by way of specific insured index linked.

Insurers' legal action against the policyholder who fails in his duty of disclosure whether annual renewable contracts—so that either party can choose to go his own way at the end of the insurance year. Insurers' practice is to issue a renewal invitation on each annual contract: this invitation implicitly says on behalf of insurers "we are prepared to give you another year's cover on the assumption that the risk has not changed materially."

Although insurers and policyholders talk about renewal, the renewal of any annual contract is in law the effecting of a new annual contract—and it is only for the convenience of the parties that the old documents

## INSURANCE

JOHN PHILIP

are continued. The annual renewal of policy documents, which would otherwise be required, would push up the annual cost of insurance by several pounds per policy. At renewal then, the duty of disclosure arises as it does at inception.

Since the publication of the non life Statement of Insurance Practice by the companies and Lloyds in the spring of last year, insurers have begun to emphasise by warnings on renewal notices or other renewal documents that renewal is invited on the terms indicated but subject to the disclosure of those material facts that have changed since inception or last renewal, as the case may be.

In this context I wrote a fortnight ago about the disclosure of newly incurred physical disabilities to motor insurers at renewal. Just as you must tell insurers if you have lost the sight of one eye between one motor renewal and the next, so you must tell them if you change the orthodox slate or tiled roof to your home for one of Norfolk reed thatch. So also you must tell insurers if the value of your property has changed, even only by the impact of inflation, so long as you have not had the sum

Commonsense suggests that in the case of property the reduction in insurers' payment ought to be calculated having regard to the relationship of the insured value to the full value—In other words as though a condition of average were to be applied.

With the increasing momentum towards detailed harmonisation of insurance contracts laws within the EEC it is possible that during the next few years the 100 per cent rigour of British non-disclosure law will be modified in favour of some kind of proportional liability—the degree of non-disclosure having a direct bearing on that proportion.

If this change does come about, then an EEC directive, plus a British Act of Parliament may well endorse the legal correctness of action which currently major British insurers seem reluctant to take in dealing with under-insurance on household claims.

## Tax resident abroad

With reference to your piece some months ago about non-resident exemption from foreign dividends tax on payment, I believe you said that such exemption could be obtained by submitting form A1 to the Inland Revenue. When I eventually obtained this form, I found it only dealt with repayment of tax deducted. Is there not some form which stops the tax from being deducted in the first place? What do you suggest I do?

Presumably you are referring to the reply published on October 13 last under the heading "Tax resident in Greece."

The forms for claiming that future overseas dividends etc. be paid without deduction of UK

tax (where the shares etc. are on a UK register) is A3. However, if it is your own bank which is deducting the UK tax (as distinct from the company's UK paying agents), then there is no prescribed form—a letter to the bank will suffice. You should draw the bank's attention to sub-section 4 of section 159 of the Income and Corporation Taxes Act 1970.

(14) In the cases mentioned in subsections (2) and (3) above, no tax shall be chargeable if it is proved, on a claim in that behalf made to the Board, that the person owning the stocks, funds, shares or securities and entitled to the dividends or proceeds is not resident in the

United Kingdom."

The bank will require details of periods spent in the UK in recent years, and of your plans for future visits to the UK, in order to establish that you are likely to remain non-resident here (for tax purposes). In addition, they will probably ask for a formal indemnity against claims for UK tax which might arise if you were ultimately regarded as resident here by the UK tax authorities. A collection charge is likely to be levied, to cover the necessary formalities and the loss of poundage under paragraph 10 of schedule 5 to the Taxes Act, and this is something which you may wish to check with the bank in advance.

## New ways in the wine trade

THE BULGARIANS were there, and so were the Turks, the Tunisians and 23 other wine-making countries. The Nitrate Corporation of Chile jostled with P & O for space, within halting distance of the South-Western Gas Board and Christie's. In all there were over 80 exhibitors at the first World Wine Fair and Festival, which has just completed a highly successful 10-day run at the grandiose Bristol Exhibition Centre, housed in a couple of handsome—disappointed—warehouses which could do with a bit more refurbishing. Nevertheless, the site, near the centre of Bristol but still providing some exhibitors with a chance to show their wares by the waterside, is potentially a perfect one.

In fact the only major absentee was the majority of the big wine companies owned by the brewers, with the notable exception of Harveys and the Hedges and Butler subsidiary of Bass Charrington.

The wine market was simultaneously celebrated by major increases in duty and by a sharp reduction in the readily disposable income available to the middle classes. Nevertheless, the market has been getting more sophisticated, and this is

however, and the confidence throughout the trade is reinforced by comparisons with other sectors of the drinks market. First, though, from a very low base, expenditure on wine has outpaced that on beer or spirits throughout the post-war period. Second, the outlook for the competition looks decidedly unfavourable. Port and sherry are seen as declining markets, too tied to an elderly consumer profile for marketing comfort; and vermouth, which has out-

A major marketing war lies ahead as consumers show signs of increasing brand loyalty. The present low level of spending on table wine advertising may rise considerably

paced table wine in the past seven years, is seen as limited to too narrow (though young and affluent) a segment of the consuming public to be able to continue its staggering rise to fame.

The contrast between wine and vermouth, or indeed any other type of drink, is not confined to their market profiles. It continues into the marketing process. In the words of Nigel Croney of Courtenay Wines: "All the important drinks markets—whisky, vermouth, port, sherry, gin, etc.—are each dominated by a handful of brands which virtually control 80 per cent of the total market. In table wines the exact opposite is the case. The market is highly fragmented by brands; no brand has more than an 8 per cent share and with the exception of Mateus and certain German wines, few have received media support of a regular and meaningful level over the past few years."

The contrast is indeed extraordinary: even a market as close to that of table wines as champagne is dominated by one brand (Moët et Chandon, which has a third of the total). As Croney pointed out, £4m is spent on advertising in the £100m vermouth market against a mere £2m in a table wine market worth over £500m at retail prices. One brand of vermouth alone, Martini, spent more by itself in advertising in 1977 than the whole of the table wine business put together, so it is not surprising that there is very little awareness of brands compared with virtually any other consumer market.

The exceptions to the no-brand rules were few and significant. Two, the Blue Nun Liebfraumilch sold by Siebel's,

and the petulant Mateus Rosé taken over by Hedges and Butler at the end of the 1960s, were classic "the boss is coming to dinner—a bottle of wine is as important as candles" type of wine, providing an appearance of correctness with any type of meal.

But the third, Hironde, invented by Bass Charrington, was the wine trade's first proper brand in one important sense: its sales did not depend on the country from which its contents

originated. At first conceived as a Moroccan wine, it then relied on supplies from Austria and the outlying portions of the old Austro-Hungarian empire (which took in such far-flung vinous outposts as Bulgaria) before settling firmly in Italy a few years ago. Hironde was originally a red wine; and red wine, in the words of one of the wine trade's many cynics, is not a mass market taste... it's an acquired taste.

But now the situation is changing completely, and a new era is opening in wine marketing. There are numerous indications that basic cheap wines, selling under, say, £1.60, will be heavily promoted and that an even more furious battle will rage over the higher-priced brands. In the "cheap, safe and reliable" market, Hironde is stepping up its expenditure, while for the first time in some years, an appreciable amount of money is being spent by Allied Breweries in promoting its Don Cortez range of Spanish wines. It is only a few months since Allied's subsidiary, Grants of St. James's, reorganised its wine sales force so that it had definite brand managers and the effects are now showing.

The supermarkets are now increasingly going up-market. In France the larger ones regularly sell classed growth ciders at prices up to £15 or £20 a bottle. At Bristol the display by the Carrefour hypermarket of the Carrefour range of French wines, and Cadbury Schweppes' own vineyard Burgundies,

The willingness of the big buyers—often guided by Masters of Wine and other experts—to look for better wines has encouraged the mass of

small new wine merchants who have largely replaced the older generation who sold out in the 1960s. The new men are prepared to scour the regions of France and Italy to look for new wines, and are encouraged by the big buyers.

At a higher level of sales the market is more complicated. At one extreme you have the Pieroth group, a subsidiary of a German family firm which sells well over 100,000 cases of highly priced German wines through the simplest of direct sales methods, tastings in the buyer's home, and none of their wine sells at below £2.40. At the other you have Harveys launching its Number 1 claret brand deliberately designed to compete with Hedges and Butler's Mouton Cadet, the only claret brand to have made any mark. The wine trade is still so unused to methods which are routine in more sophisticated markets that, according to Harveys' UK sales director, Jeff Palmer, "the trade was terribly impressed we were spending \$50,000 on selling a bottle."

Harveys is fully aware that similar wine, their No. 1 Club Claret, launched in the mid-1960s, was a flop; it was simply, it says, a decade or more before its time.

Both Harveys' No. 1 and Mouton Cadet cost between £2.30 and £2.50, with Hedges and Butler filling the gap left by repeated price increases by introducing Le Berger Baron from the same stable as Mouton Cadet. Baron Philippe de Rothschild's La Bergerie wine marketing business. Judging by the response and the orders taken at Bristol, it may have judged the moment correctly.

Because margins are so much better, the competition in the third of the market which buys wines priced at over £1.50 is not confined to the older brands or to the brewers, for the trade is growing increasingly more confident that consumers will not feel too restricted by price. This has encouraged two highly significant newcomers, both major consumer groups spending significant sums to establish ranges of wines with French names. Reckitt and Colman, already highly successful with Veuve de Vernay, is promoting its Charbonnier range of French wines, and Cadbury Schweppes' own vineyard Burgundies, which is selling a range of wines from all over France under the name of what most beloved of all wine propagandists, the late André Simon.

## ARBUTHNOT IN AMERICA

## Here's why you should invest now in the Arbuthnot North American and International Fund

“Much smaller, but no less successful, has been the Arbuthnot North American Unit Trust, doubling in size to £2½ million in the last few weeks. It also proudly stands at the head of the one-year performance table, with a rise of some 12.5 p.c. in the 12 months to last Friday, which compares with a fall of 8.6 p.c. in the Dow Jones in the same period.”

David Collins, Sunday Telegraph, April 26th, 1978

Since the launch of this fund on 1st September 1976 to 31st July 1978 the fund has increased in value by 28.5%, compared to a fall of 14.9% in the Dow Jones Index over the same period.

Now – The Right Time to Invest – The US stock market is beginning to recover from a depressed level similar to that in the UK market three years ago. We believe the US market still has room for considerable growth which is the aim of this fund.

Arbuthnot – The Right North American Fund – Over 90% of the fund is currently invested in US securities, much of it in smaller companies. Unlike the blue chip multinationals their growth is not held back by overseas interests operating in less favourable conditions or by falling exchange rates. However, we maintain an extremely flexible attitude and with any improvement in world trade we would increase the fund's holding in the larger international trading companies.

Arbuthnot carry out much in-depth research and constant monitoring, as well as making regular visits to America, so as to pin point the areas and industries that show the greatest potential for growth.

“What's more, one or two of those funds whose portfolios contain a fair share of companies other than the leaders have in fact done remarkably well over the past few weeks. Most notably, Arbuthnot, whose North American and International still tops the one-year performance table, with a gain of 13.4 per cent even though around half of the portfolio (some 90 per cent invested directly into the U.S. markets) is composed of smaller companies.”

Adrianne Clifton, Financial Times, May 12th, 1978

Investment of this fund is partially through a back-to-back loan facility in order to minimise the effects of the dollar premium. The price of the units and the income from them may go down as well as up.

Your investment should be regarded as long term. Fixed price offer for North American and International Fund (estimated current gross yield 17.1%) until 5pm August 11th, 1978 at 36.1p (or the daily price if lower).

The managers reserve the right to close offers if unit values rise by more than 20%. Applications will be acknowledged, and unit certificates will be issued within 28 days. The offer price includes an initial charge of 5%. The annual charge is 3% + VAT. All net income accumulated within the fund. After the close of these offers units may be purchased at the weekly (Thursday) dealing date, when units can also be sold back. Payments will be made within 14 days of the dealing date and on receipt of your certificate duly renewed. The weekly price and yield appear in most leading newspapers. A commission of 1% will be paid to recognised agents. This offer is not open to residents of The Republic of Ireland, Trustees, The Royal Bank of Scotland Ltd., Managers Arbuthnot Securities Ltd. (Incorporated in Scotland) and Unit Trust Association.

To: Arbuthnot Securities Ltd., 37 Queen Street, London EC4R 1BY. Telephone: 01-236 5281.

Capital Sum 1. We wish to invest the sum of £ (in £50) in the Arbuthnot North American and International Fund and enclose a cheque payable to Arbuthnot Securities Ltd. Share Exchange Scheme – tick box for details. Monthly Saving Plan 1. We wish to invest the sum of £ (in £20) per month in the Arbuthnot North American and International Fund and enclose a cheque payable to Arbuthnot Securities Ltd. on the initial payment. A bankers order form will be sent to you by the managers following receipt of this order. This order is revocable at any time by one month's notice in writing. I/We declare that I am/we are over 18 and not resident outside the scheduled territories nor am I/we are acquiring the above mentioned securities as the nominee(s) of any person(s) resident outside these territories. (If you are unable to make this declaration, it should be deleted and the form lodged through your Bank, Stockbroker or Solicitor in the United Kingdom.) Joint applicants, all must sign, Mr/Ms/Miss or Titles and Forenames. Full Name(s) Address(es)

ARBUTHNOT

NORTH AMERICAN AND INTERNATIONAL FUND

F71A 5/8



## YOUR SAVINGS AND INVESTMENTS

## A choice at Capital Annuities

POLICYHOLDERS with Capital Annuities should this week have received a letter from the Policyholders' Protection Board, setting out the current position and asking them what they want to do. The document itself is not a model of clarity, but effectively, policyholders have two choices.

They can accept a substitute policy in lieu of their existing contract with Capital Annuities. The new contract offered to annuitants will continue payments scaled down to 80 per cent of the original level. Guaranteed income, bond holders also have their benefits scaled down to 80 per cent, but certain surrender guarantees have been put on an actuarial basis which means that they might be cut by more than 10 per cent.

Policyholders who choose this course assign to the Board all their rights as a creditor of Capital Annuities.

In the alternative, policyholders can retain their rights as creditors, and receive whatever proceeds emerge from the liquidation.

The letter does not provide any information on the financial

## ASSURANCE

ERIC SHORT

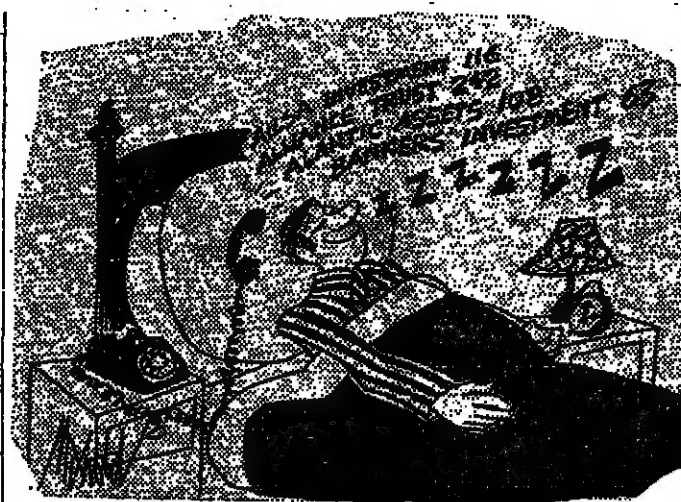
state of Capital Annuities, so policyholders apparently have to make their decision as to which course of action would be most beneficial entirely in the dark. But really, there is not much to decide.

Annuity and income bond holders have been receiving payments at the 90 per cent level from the Board's interim scheme. Taking the substitute policy means that these payments will continue. The Board will collect whatever proceeds arise from the liquidation, and use the money to offset the costs of continuing these payments under the substitute policy. If there is any surplus at the end of the day, then any surviving policyholders would get a payment in addition to their 90 per cent.

Anyone who is tempted to take pot luck with liquidation should consider the following points. First, all payments cease and the policy holders

will receive nothing until the liquidator makes his first distribution. If the experience of Nation Life is typical, then this is likely to take years rather than weeks.

Second, it is not possible to estimate the amount likely to be received. At the time of the application for winding up in April 1976, the directors put a value of £4.39m on the assets, and estimated that there was a deficit of about £250,000. But the assets comprise small property units—mostly second-ary and tertiary—and mortgages held against the security of property. Indeed, many properties have been acquired through repossession of mortgages. The figure quoted for assets was not based on a professional valuation, and no figure is available for the last valuation. The special manager has been doing a caretaker operation, and he is in no position even to make a guess at the value of the assets. So the probability of a full payout is small. What evidence there is suggests you would do much better to accept a substitute policy and make sure of your money.



## Laying it on the line

HAVE YOU ever had occasion to consider the range of pre-recorded services which the Post Office provides? If you happen to have young children, then the answer is in all probability yes—alas, yes, after all, the Post Office doesn't tell its bedtime stories or spin its disc of the day for nothing. Is it any consolation to know that, from now on, the little dears could apply themselves to acquiring investment know-how instead of indulging in these juvenile delights?

Not that such know-how comes courtesy of the Post Office. It comes, instead, courtesy of the Canadian life assurance company Crown, which has installed an information service for the benefit of investors in its unit-linked fund and their professional advisors. Ask for extension 296 at Woking 5033, and what you get is a run down on the portfolio of each of Crown Life's seven unit-linked funds, together with details of the yield for those who hold the income units.

It has to be said that this new service will not do all that much for those who have no investment expertise at all (which being the case, any interest aroused in your office spring might be expected to

## A bull in the East

AT A TIME when stock markets in both London and New York are showing signs of quickening life, it might seem a little perverse to ask investors to apply their minds to the merits of quite different exchanges on the far side of the world. That, however, is what the £700m fund management group Gartmore was doing one day last week. Their forces.

He based his argument on the long term economic potential of the area—which, in turn, he traced in part to the development of China, and in part to the productivity and flexibility of labour forces in South East Asia as a whole. All things being equal, he said—and he accepted that all things might well be less than equal—the economy of Japan would be the

reflected a regrettable aberration, and that the quality of investment in these markets has changed.

The acid test of all this enthusiasm is of course how much Gartmore itself is putting into Far Eastern markets. Its Far Eastern trust, being a specialist fund, is entirely invested there. With the investment trusts under Gartmore's management, however, the situation is rather different. Only London & Gartmore, with around one quarter of its portfolio invested in the Far East, has a representation to compare with its holdings in the U.S.

Why no more? Gartmore says there is something of an intellectual gap, which it has still to bridge with the managers of its other trusts. Hence last week's initiation. But let us do due credit to the managers' honesty. They also said they thought that, in the short term, the Dow Jones was likely to be the more spectacular performer.

## A scheme for 'names'

ONE OBLIGATION to being a name at Lloyd's is that you have to put a large sum on deposit, available for call by your syndicate. Such sums have to be readily marketable, so the acceptable types of asset tend to be cash deposits, gilts and such like. This money is not likely to be called during a member's lifetime; and he (or she) retains the income arising from it. The money acts as part of the asset base necessary for any insurance operation.

For higher rate taxpayers, however, such a system is not usually "tax efficient." The sort of tax-efficient schemes devised by financial planners tend to lock capital too firmly away. So last year the Committee of Lloyd's introduced a scheme under which a guarantee from an accepted bank became the maturity value of the policy becomes available.

Under current conditions an investor aged 44 investing £20,000—the usual size of deposit—would receive a tax free income of £500 in years two to 10, together with interest from the gifts. After 10 years there would be a tax free sum of nearly £35,000 available.

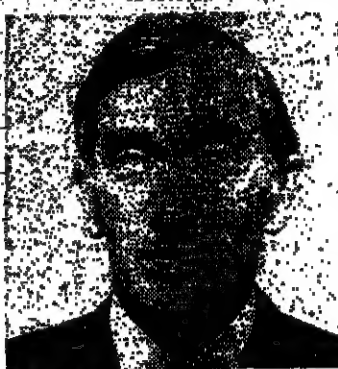
On the strength of this, a guarantee is given by the leading U.S. bank Citibank, which provides an irrevocable letter of credit agreeing to pay the call on demand up to the full amount. Should there be such a demand, the gilts and the policy become the property of the bank. The charges for this guarantee are as follows: 1 per cent of the amount in year one, 11 per cent in years two to five, and 1 per cent thereafter. The increase in income available under this scheme should more than offset the charges, and they are in any case normally fully allowable for tax relief.

## Starting from scratch

IT'S ONE of the complaints of the men who look after the nuts and bolts of industry that they don't very often end up running it. Certainly industrial chemists don't. Which is what makes something of an oddity of the industrial cleaning business which Jack Harrison and John Rowsewell are running in Sandbach, Cheshire.

The pair of them, now joint owners of a company whose turnover this year is likely to top £250,000, admit that they were extremely lucky when they came to set up in business on their own. "Not that the luck was of the obvious variety," John Rowsewell left a family business, somewhat hastily, in the aftermath of a spectacular family row; Jack Harrison, a friend from their days of reading biochemistry at university together, determined to go too; and the pair of them decided to set up a company "between the Friday of one week and the Monday of the next, for lack of an alternative." Between them they had, respectively, widespread connections in the beerage and a certain amount of family money (tied up in shares), and 15 years as a chemist in the beer business, worldwide, with some savings out of dollar earnings. They also had no idea what they were going to do.

So they set out to sell their



Mr. Jack Harrison



Mr. John Rowsewell

expertise in cleaning liquids, and found themselves supplying seaweed extract to brewers and enzymes to improve the yield on mashes at the distilleries. It was a fortunate development. They needed very little in the way of plant (the initial mixing was done, quite literally, in a bathtub). They needed warehousing space, and they found it at first in a relative's back garden, and later, as the business grew, on the ground floor of the local scout hut.

They added value to their products in the shape of knowledge. John Rowsewell claims to have been the first to extract the clarifying agent carageen from seaweed and they paid their bills with a view to establishing their credit. It made for a hard start, neither of them took any money out of the business in the first 16 months—just a health one. Which was just as well, for towards the end of the first year, growing competition and a falling pound knocked the established markets for

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## CHIEFTAIN HIGH INCOME TRUST

SINCE ITS LAUNCH THE UK'S BEST PERFORMING HIGH INCOME TRUST

9.15%  
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FIXED PRICE OFFER CLOSES ON 11TH AUGUST 1978

Chiefain High Income Unit Trust aims to bring you immediate high income combined with prospects of good capital growth.

Since the launch of the Trust in September 1976, the offer price of units has increased by 81.2%. In the same period, the FT Ordinary Share Index has risen by 41.3%. During this time, the Trust has out-performed all other UK authorised high yielding unit trusts.

Over the years we shall seek to ensure that the income you receive grows. Furthermore, while a high income is the main purpose of the Trust, it is an historical fact that high income unit trusts have often been some of the best vehicles for capital growth.

We believe that, in the long term, the potential for growth of both income and capital will give you a significantly better total return than a fixed interest investment such as a gilt-edged security or a fixed capital investment such as a building society.

Although you can sell your units at any time, unit trusts should not be regarded as a short-term speculative investment, and we would like to emphasise that the price of units, and the income from them, can go down as well as up.

## WHY A UNIT TRUST?

The problem associated with stocks and shares for the individual investor is, of course, that he rarely has enough capital to spread his risk, and sufficient information to choose with confidence. This is particularly true for those seeking a high income.

But the beauty of a unit trust is that through it you invest in a wide portfolio of stocks and shares, which is managed for you by full-time professionals.

Your financial adviser will be able to answer any questions you may have about the merits of unit trust investment.

## INVESTMENT PROSPECTS

The funds of Chiefain High Income Trust are invested in high yielding stocks and shares. Our policy is that by far the greater part of the Trust's funds are invested in high yielding ordinary shares. Holdings of preference shares will not exceed 20%. More than this would, we believe, restrict opportunities for growth.

In order to minimise risk, the portfolio is spread over about 100 U.K. companies. Our investment managers

monitor the progress of these companies very carefully—as the Trust's performance to date clearly shows.

The financial situation of the country has improved considerably over the last two years. As North Sea oil has begun to make a positive contribution to the balance of payments, sterling has strengthened, company profits have improved, and inflation has been reduced to single figures.

Nevertheless share prices are still at historically low levels relative to company earnings. However, Chiefain's managers believe that in the long term the wealth generated by North Sea oil will continue to play a considerable part in the recovery of the U.K.'s economy from what is still a very depressed level of activity.

This should provide ample scope for improvements in company profits and business confidence, and in turn this will allow further increases in the value of shares and of Chiefain High Income Units, and of the income they provide.

## SHARE EXCHANGE SCHEME

If you wish to realise a part of your portfolio and invest in Chiefain High Income Trust, the Managers can arrange to sell your present shares for you, and will absorb all the usual expenses of the transaction. This can give you a worthwhile saving. The minimum purchase through the Share Exchange Plan is £500. Tick the box in the coupon for full details.

## YOUR REASSURANCE

Chiefain Trust Managers Ltd. was established in September 1976. Its four trusts, dealing in overseas as well

as U.K. markets, have already attracted funds worth over £9 million. This exceptional rate of growth has owed much to the considerable support Chiefain has received from stockbrokers and investment advisers.

The Trustee of Chiefain High Income Trust is Midland Bank Trust Company. The main duties of the Trustee are to hold the title to the Trust's investments, and to check that all purchases made by the Trust are in accordance with the Trust deed; to ensure that the income is distributed to the unitholders properly; and to approve advertising and literature.

## TAX ADVANTAGES

You can sell your units on any normal working day at the prevailing bid price. You will normally receive a cheque within seven working days of receipt of your renounced certificate.

The 1978 Finance Bill proposes that unit trusts will pay tax on capital gains at the privileged rate of only 10%.

When you sell units it is proposed that you will receive a tax credit of 10% against Capital Gains Tax. The Managers interpret this to mean that on unit trusts you should have no tax to pay on profits up to £3,000 on sales in any one year, and your maximum liability is limited to 20% of your gain. On sales before 5th April 1979 the tax credit will be even higher if the proposals become law.

## CLOSING DATE

Until 11th August, units will be available at a fixed price of 45.3p each. Your application will not be acknowledged, but you will receive a certificate by 22nd September 1978. Fill in the coupon, or talk to your financial adviser without delay.

## GENERAL INFORMATION

The offer will close if the underlying price of units should differ from the fixed price by more than 2½%. After 11th August 1978 units will be available at the daily quoted price and yield published in most newspapers.

Chiefain High Income Units were first offered on 6th September 1976 at 25p each.

There is an initial management charge of 5% included in the price of units. There is also an annual charge of 3% (plus VAT) which has been allowed for in the quoted yield. The Managers will pay the standard rates of commission to recognised professional advisers, who are invited to ring 01-283 3933 for further details of High Income and other Chiefain trusts.

Income is paid net of income tax, but this can be reclaimed by non-taxpayers.

Distributions and a report on the fund are made half-yearly on 31st May and 30th November. Units bought now first qualify for distribution on 30th November 1978.

This offer is not applicable to Eire.

The Managers of the Trust are Chiefain Trust Managers Ltd., Chiefain House, 11 New Street, London EC2M 4TP. Telephone 01-283 2632.

The Directors of Chiefain Trust Managers Ltd. are: P.L. Potts, M.A. (Chairman); R. J. D. East, M.A., M.B.A.; J.D. Gillett, B.Sc.; L.H.A. Hazell, F.C.I.S.; A.L.F.K. Tod.



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You may have missed these and other opportunities spotlighted by the IC News Letter, but by subscribing now to Britain's leading investment news letter, now in its 33rd year of publication, you can make sure that you do not miss them in future. Its editor, Peter Doye, who drew attention to the buying opportunities available at the end of 1974, when the FT Index was around the 150 mark and talked then of it recovering to 500 and possibly 800 on the next bull market, believes a time of fresh opportunities has arrived and that equities now probably offer better value for money than any other investment assets or major alternatives.

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## TRAVEL

## Festive capital

BY PAUL MARTIN

IN JUST over a fortnight Scotland's fair capital city will once again be in festive mood for the 33rd Edinburgh International Festival starts.

While this year's festival, the last to be directed by Peter Diamond, will again include an extensive opera programme with a repeat of last year's brilliant production of *Carmen*, with Teresa Berganza in the title role and Claudio Abbado conducting the London Symphony Orchestra, and considerable emphasis on the Russian theatre, it will be supplemented, as always, by the ever-expanding Fringe to the Festival.

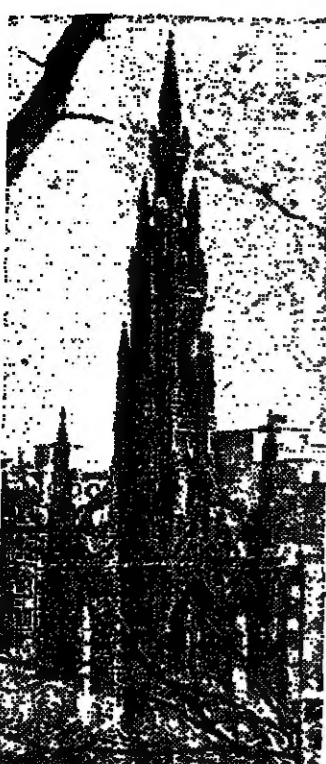
While Edinburgh tends to burst at the seams at festival time, I was assured last month that the City Accommodation Bureau can still find room for latecomers. A number of residents open their houses to visitors during the festival so, while your temporary lodging may not be in a luxury hotel nor particularly central, it will always be on a bus route. Edinburgh also has a distinct advantage in that it is an easy place in which to get your bearings.

Until my recent visit I had only passed through but what a varied and lovely city it is, a place where nearly every prospect pleases and where the authorities have placed a pretty firm embargo on the horrid rash of impersonal, pre-stressed, high-rise monstrosities which have desecrated the skyline of so many European capitals.

That skyline remains virtually unchanged with the solid mass of the castle and the great esplanade, the setting for the spectacular Edinburgh Military Tattoo, always a major feature of the annual festival. Here, too, are the diminutive St. Margaret's Chapel and the simple but breathtakingly beautiful Scottish Regalia on permanent display.

Edinburgh is really two cities in one, although not geographically set apart as the Cities of London and Westminster. There is certainly a great deal in see and do, a kind

Your weekend: £, Austria 27.75, Belgium 62.50, France 5.50, Italy 1.50, Greece 61.50, Spain 14.25, Switzerland 3.25, U.S. 5.50. Source: Thomas Cook.



The Sir Walter Scott Memorial

of microcosm of Scottish history, along The Royal Mile, made up of Lawnmarket, High Street and Canongate, and leading from the castle down to the Palace of Holyrood House.

If you start at the castle, there is always the consolation that you then walk downhill towards the green open spaces of the extensive Holyrood Park, with its culminating point at Arthur's Seat.

Close to the castle I found a visit to the Outlook Tower, with its Camera Obscura, a fascinating introduction to Edinburgh with a well-informed commentary as the lens, reflecting different areas of the city, revolves to point out the distinguishing features. The Victorians were wizards with the magic lantern!

It would be virtually impossible to list in detail all the museums along the Royal Mile but some excellent leaflets, suggesting places to visit, pubs and restaurants, and walking tours, are available from the Information Office on Waverley Bridge. I was particularly impressed by Lady Stair's House, a 17th century building transformed into a vivid literary museum devoted to the lives and works of Burns, Scott and Robert Louis Stevenson.

When, some 250 years ago, the decision to build the New Town was taken for practical reasons—the gentry of the day wanted to move away from the crowded streets around the castle—that decision gave us

some of the finest Georgian town-planning in Europe and on a pretty large scale.

Under the original plan, George Street, linking St. Andrews Square to Charlotte Square, was to replace Princes Street as the main thoroughfare. In the event that did not happen but you can always escape the crowds jostling along Princes Street by crossing over to the nearby gardens behind the massive and somewhat over-ornate Scott Monument near to The Mound, an artificial hill formed when the excavations for the New Town were dumped there.

Robert Adam, the 25th anniversary of whose birth is being celebrated this year, was a mastermind when the building of the New Town started in 1767 and, just as the Victorian Camera Obscura provides a guideline to Edinburgh as a whole, there is an extremely effective audio-visual presentation, dealing with the building of the New Town, at the Georgian House in Charlotte Square, itself one of Adam's masterpieces.

After walking through the lovely series of squares and circles, down Heriot Row to the sheer perfection of Moray Place—you must use your feet in Edinburgh—you can always retrace your steps to Rose Street, originally built as a service road, and visit one of the many pubs and eating houses.

Outside the city limits, you can go down to South Queensferry and lunch at The Hawes Inn, with its impressive views of the old and new Forth Bridges, and go on to Hopetoun House, where the "Robert in Italy" exhibition provides an insight to the influences that determined so much of the layout of the New Town.

British Caledonian, official carriers to the Edinburgh Festival, who serve an excellent hot breakfast on the morning Gatwick-Edinburgh flights, do operate year-round scheduled services.

If you prefer, as I do, to visit cities once the crowds have dispersed, Edinburgh is, at any season, a rewarding city, full of history, to which I would always return to explore at leisure and in greater detail.

ADDRESSES: British Caledonian Airways, Gatwick Airport, Woking, Surrey. City of Edinburgh Tourist Information and Accommodation Service, 5 Waverley Bridge, Edinburgh EH1. Edinburgh Festival Society, 21 Market Street, Edinburgh EH1 1JH. Edinburgh Fringe Society, 100 High Street, Edinburgh EH1 1QS. Holidays in Scotland (Festival City Bookings), PO Box 5, Rye, East Sussex TN31 7AR. Scottish Tourist Board, 21 Ravelston Terrace, Edinburgh EH4 3EU (for details in Edinburgh and the rest of Scotland).

## FASHION

## The art of bouncing back

BY LUCIA VAN DER POST

IF THERE'S one sure test of the truly well-dressed man or woman it must be whether he or she travels well. I never quite know how film stars manage to arrive at Heathrow looking pristine in white trouser suits. But whatever their solution the only practical one for most of us who have any amount of travelling to do is careful planning.

Nobody likes logging mounds of luggage and no matter how liberal you are prepared to be with tips, there are not always porters around to be tipped. Therefore a small selection of clothes that inter-links and is washable, needs little or no ironing and can look good in a number of different situations, seems to be the answer.

If you've managed to get these types of clothes together then you're obviously a good traveller. But if

you're starting from scratch here are a few suggestions.

Silk sounds a very extravagant material but I have found that it is a lot more robust than it sounds and that it is a marvellous fabric for the travelling woman. Light, soft, easy to wear, perfect for day or evening, it usually washes easily (try, though, to iron it when still damp) and seems to give warmth when it's cold and to be cool when it's hot. Featured here is a jacket made from a truly beautiful silk tweed and lined in pure silk—this makes it incredibly light to wear, almost like gossamer. And because it is made of silk, it looks good worn with day clothes or for evening.

Apart from silk, other fabrics which I have found travel well are silk jersey (particularly good for evening clothes), combinations of cotton and artificial

fibre (particularly good is cotton/polyester), pure wool if travelling in winter; cotton jersey is good, too (it creases when packed but the creases mainly fall out when you hang it up) and the ubiquitous cheesecloth travels well, too.

The jacket below left we have had made up in a French navy blue and cream tweed from the range from the Scottish firm of Claridge Mills of Selkirk, which sells at £14.50 a metre (90 cm wide), from Vogue pattern No. 9661, price £17.50, sizes 6-16. A size 10 jacket takes 2.90 metres. We lined the jacket with pure silk which gives it a little more body but it is still very light and soft to wear.

The skirt is made from cream silk noil which is washable and costs £4.50 a metre (112 cm wide). The skirt is made from a Butterick pattern (No. 3389) designed by the American Gil

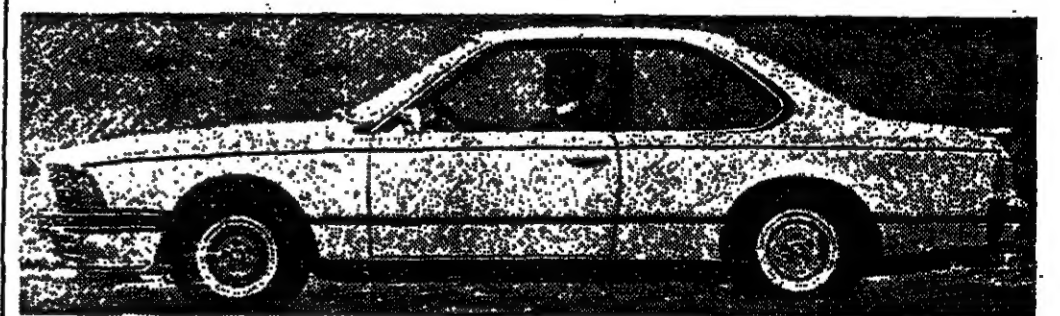
Almbez. Price 90p, sizes 8-16. A size 10 skirt uses 2.20 metres of fabric. If you can't find either of these patterns locally write to: Vogue and Butterick Pattern Service, New Lane, Havant, Hampshire PO9 2ND. They will send them by post for 10p extra per pattern.

Both fabrics are sold by Liberty of Regent Street and readers who are interested in the silk tweed may like to go along and see the lovely range available. There are more than a dozen different colourways and patterns, ranging from creamy beige through subtle heathery shades and including the navy blue that we have used.

Worn with the outfit is a silk blouse by Black, £21.50 from Liberty of Regent Street. The model's necklace is also from Liberty's. Footwear: black brogue of silver and acrylic, £16 and a Claretone and cream necklace, £5. Hair by Paula of Nicholson. Photograph by Trevor Humphries. Dressed by Samuels.



The sketch above shows a glamorous dress (centre) which ful outfit (right) in cream, black cotton jersey dress by Pepper lies in a simple but effective way, or camel polyester jersey—the mist in striped or plain white. Made from rayon silk (which is creases just shake out. By must or khaki. £27.75 from very packable and creaseproof) or Domino-D, it costs £28.95 from Wardrobe, 19 New Bond Street pure silk, it comes in black and Fenwick's of Bond Street (Wp and Chiltern Street, London other colours. £48 from Animal p and p), Fenwick's of Newcastle W1; Harpers, Edgware, Rick's Rainbow, 182 Fulham Road, and Peter Robinson, Oxford Beaconsfield, Last Resort, Bath, A London SW10. Wonderfully use. Circus, London W1.



## Relaxed at high speed

MOTORING  
STUART MARSHALL

THE PLAN was to pick up the car at Heathrow, drive to Dover, cross to Boulogne and make our way to Antwerp. It's about 300 miles—just enough to get to know a new car reasonably well. We would fly back from Brussels next day.

Alas, it all began to fall apart in traffic tortured Westernham, when the A25 jammed solid for 20 minutes. The next jam was on the A349, linking the M20 and M2. Cars, horse boxes and coaches trying to squeeze into an already crowded Kent County Show brought the dual carriageway to a standstill.

Even so, after half an hour of sitting still and twiddling the radio, we made it to Dover with ten minutes to spare. Naturally, the 11.30 left late and lunch was two hours behind schedule.

By 4 pm we were on our way again, struggling north on the congested coast road to Calais and, hopefully, the Lille Antwerp route. Ghent and Antwerp. In Calais, it was the turn of the Calais, to use the swing bridge and stationary cars stretched glittering in the sun for as far as the eye could see. Had some one forgotten that July 14 was a public holiday in France? They had.

Over the border into Belgium and the roads cleared magically. At last, the BMW 635 CSI more gearshift refinement was ing the motoring corre-

has to transmit, the clutch is silky and as light as a family saloon's. The engine can hardly be heard at 70 mph in fifth because it is turning over at less than 3,000 rpm. At an indicated 100 mph it is still very quiet indeed and raises its voice only when pushed in the gears close to the recommended rev. limit of 6,500 rpm. Wind noise is never a problem.

The 635 CSI is, I suppose, the answer to those who have complained that the latest generation of BMWs have gone a little soft. The 633, it is true, does not have quite the same taut muscularity as the 3.0 CSI that came before it; the 635, however, does. It is as fast as a car as anyone could reasonably expect, with quick though disciplined responses and beautiful manners. Small though subtle changes have been made to the suspension which is a little stiffer, though hardly less shock absorbent than the 633's. A massive front-end spoiler and a less conspicuous one at the rear are said to reduce aerodynamic uplift by 15 per cent at very high speeds which improves directional stability and cornering power.

Inside, the 635 CSI has leather upholstered seats that kept me in place during hard cornering, did not feel too firm and proved comfortable during a long day's driving. With some give and take on the part of those up front, the rear seats are not too cramped for adults.

In Germany, the 635 CSI is on sale now for DM 50,000—say £13,000. As the right hand drive 633 CSI costs over £15,000 in Britain, the new car can be expected to be in the £17,500-plus class when it arrives later in the year. It won't be a bargain; just a very fast and wholly civilised car for well-heeled motorists of sophisticated taste.

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# Taormina Festival of Nations

collaborator? The movie then talks to various former friends of his father—including a trio of old ladies whose house he stayed in at the end of the war—and the story teasingly makes us wonder whether his search will end in enlightenment or deeper mystification. But there is something fatally academic about the film, and it is not the first of those that musty, second-hand look that often clings to stage adaptations; and while the three old ladies have a certain dotty charisma, in the nostalgia-and-old-time tradition of Hungarian cinema, the rest of the characters seem to be moving dimly about in the fog of a motive and a personality.

Elsewhere in the competition movies had an odd habit of coming in pairs. One evening there was a brace of films about abortion: on another there were two political thrillers (one of the Loscy's *Les Routes du Sud*, which I wrote about from Paris); on a third there was a double bill of films about prison life.

Of the last pair, the Japanese film *Yards* directed by Yoichi Higashi, made a strong impression. It is the jigsaw-struck story of a convict's attempt

**MAX LOPPERT**

Britain was represented outside the Competition by *Jerrysey and Jodelise*, both Jersey sets. London, inside *The Hound of the Baskervilles*. A programming collision made me miss the first half-hour of this all-star Sherlock Holmes spoof, directed by Paul Morrissey (of Andy Warhol fame) and starring Peter Cook, Dudley Moore and every British comedian you can think of. The second half hour, but the final hour is good value.

Conan Doyle would spin in his grave. Inside publicity is being at the idea of a Jewish Sherlock Holmes (Cook) with a smother-loving mother (Moore) who pursues him from case to case, and calls him "Sberl" and his friend "Watty." Not to mention such embellishments as Joan Greenwood playing exorbitant-style demonesse, complete with rolling drum and basso laughter, or Donald Sutherland as a Jewish Dr. Watson Elliot, who is a Jewish chintzhu, whose incontinent chintzhu sprays passers-by with an unceasing golden jet. The influence of the Carry On series.

## NIGEL ANDREWS

star Sherlock Holmes spoof, directed by Paul Morrissey (of *Psycho Warbo*, fame) and starring Peter Cook, Dudley Moore and every British comedian you can think of in the next 30 seconds, but the final hour is good value.

Conan Doyle would spin in his grave — indeed probably is doing — at the idea of a Jewish Sherlock Holmes (Cook) with a Jewish loving mother (Moore) who pursues him from case to case, and calls him "Sheri" and his friend "Watty." Not to mention such embellishments as Joan Greenwood playing exorbitant Jewish demones, complete with rolling r's and basso laughter, or Deborah Ellinger as a Jewish dancifanchu whose incontinent hushionda sprays passers-by with an unceasing golden jet. The influence of the *Carry On* series, of which Morrissey is an avowed admirer, is clear upon the film. But if of burlesque is the highest form of maturity, then *Conan Doyle* is the most mature that Conan Doyle and the famous Baker Street sleuth have ever received.

## † Indicates programmes in black and white

## CHESS SOLUTIONS

**Solution to Position No. 227**

No. Black thought he could, and played 1...BxP: 2 B-QN5! R-B6; 3 QxR, R-B6; 4 Q-Q4! Resigns. The double threat is 5 QxR and 5 Q-Q5 cb winning the bishop.

**Solution to Problem No. 227**

1 NxQBP (threats 2 NxR and 2 N-Q3). The traps for solvers are 1 N-B6? BxR or 1 NxNP? R-N6 or 1 N-N3? BxN or 1 N-B7? P-B5 or 1 N-Q2? P-N5 or 1 NxP? B-K3.

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## CHOICE

more promising of the two weekend days. Brendan Foster could collect the first British Edmonton Games medal in a BBC 1 satellite programme which starts at 11.40 p.m. A bit of knob fiddling here in order not to catch The Rezzillos, a rising rock group several heads above the competition and on ATV's awful Revolver, which some Greasers have scheduled for 11.45. Good music, bad show. Festival of Festivals, a new series, takes us to the Elstedsdoff live from Cardiff, with Gerald Evans (8.10 BBC 2). A.S.

C—These theatres accept certain credit cards by telephone or at the Box Office.

**CINEMAS**

**1 & 2. SHAFTSBOURY AVE. SW**  
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## LEISURE

## Sleuths' evidence

AS THAT distinguished bibliophile John Carter reminded us, "it is notorious that the detective story is the favourite reading of statesmen, of dons in our universities, and in fact all that is most intellectual in our reading public."

The serious collecting of detective first editions started in the 1930s, pioneered by Chicago journalist and critic Vincent Starrett (born 1886), and Ellery Queen, pseudonym of two Brooklyn cousins, Frederic Dannay and Manfred Lee, both born in 1905. Queen's Quorum, a history of the detective-crime short story, has long been a definitive work.

Holidays are an appropriate time to search around small booksellers and markets for unrecognised treasures, having also done your homework with

date-line to worry about. As Mr. Quayle, book collector extraordinaire, insists, whatever authors one selects are a matter of personal choice—shaped by the books read and the writers with whom the collector becomes acquainted.

Followers of various detective writers of the past have got together to form clubs to disseminate their knowledge and gain more. There are some 20 societies for devotees of Sherlock Holmes in America, including the Baker Street Irregulars and the Scandalous Bohemians of New York. For devotees of the Sherlock Holmes Society of London founded in 1951, write with me to 5, Manor Close, Wokingham, Surrey. The annual membership is £5.

A useful *Conan Doyle Bibliography* was published and compiled last year by bookseller Gaby Goldschneider (£3 from Antiquarian Books, 29, Temple Road, Windsor, Berks). It lists 1,158 items including some 100 acknowledgments. Robert Burt de Wail's marvellous *World Bibliography of Sherlock Holmes and Dr. Watson* (New York: Graphic Society, 1974), which lists over 6,000 items in 50 languages. John Murray has just published a British edition of *The Sherlock Holmes Illustrated Omnibus*, an interesting facsimile edition of all the Sherlock Holmes stories, pen and ink by Sidney Paget, which originally appeared in *The Strand* magazine of the 1890s and 1900s.

The Edgar Wallace Society, organised by his daughter Penelope, herself a short story writer, was begun in 1969 to provide information on the prolific writer who was the beginning of 173 books translated into 28 languages, with sales topping 50m. His 387 short stories, 23 plays, 65 sketches, and uncounted anecdotes. Films made from his books total 165. He even wrote the original script for *King Kong*—and from racing in the 1930s. His first effort *Dead Cert* receiving immediate acclaim.

## COLLECTING

## JUNE FIELD

Eric Quayle's *Investigable Collector's Book of Detective Fiction* (Studio Vista 1977). And, if you can track it down, the out-of-print 894-page *Who Done It? An Encyclopaedic Guide to Detective Mystery and Suspense Fiction* by Graham Hagen (Bowker 1969), which lists 20,000 works published in the English language from 1841-1976, with an index to heroes, villains and sleuths. A more modest and recent reference is *Melvin Barnes' Best Detective Fiction* (Clive Bingley 1975), a compact guide beginning with a philosopher William Godwin (1756-1836), whose propagandist novel *Adventures of Caleb Williams*, also contained a classic mystery, to the contemporary Dick Francis, champion jockey who turned to crime writing when he retired from racing in the 1950s. His first effort *Dead Cert* receiving immediate acclaim.

This is the charm of this collecting category, there is no



Edgar Wallace directing one of his films at British Lion Film Studios, 1930/31. From the Edgar Wallace Archives.

of the prodigious output there aristocratic amateur sleuth is *Lofts and Adley's The British Lord Peter Wimsey*. The *Bibliography of Edgar Wallace* society's chairman, R. L. Clarke, (Baker 1969). Wallace wrote told me that they are particularly concerned with collecting his autobiography *People* (Hodder 1926), and I have the all Miss Sayers' letters which 1939 Book Club edition of the produced in vast quantities. They comprise a substantial part of her genius and until these are copied they are at risk. We should like to hear from any of the age of 56: "The Machine Breaks Down" is the appropriate heading of the final chapter. Details of the society (membership £1.25 to the end of the year), plus leaflet on the "Evenings" with Penelope Wallace at the Edgar-Wallace Pub, for see to her at 4 Janet Hinchman, Such a Strange Lady, and a new bibliography is *An Annotated Guide to the Works of Dorothy L. Sayers* by Harman/Burger (Garland Publishing Inc.), which can be ordered through the society. Specialist dealers in detective fiction include Christopher Lowden, 23, Sumatra Road, West Hampstead, NW10, and David Colman's Mustard Club campaign, before she moved on to create the highly successful lists.

## Ideal conditions for strawberries

ANYONE CAN grow strawberries but to grow them well one needs to know a little about their peculiarities. Of all fruit crops the strawberry is the most short lived, not because the plants themselves lack perennity but because they quite rapidly lose their ability to produce top quality fruits. Retain a strawberry bed for five or six years and it is likely to be a solid mass of leaves, one plant scarcely distinguishable from another and the fruits so small as to be scarcely worth picking. Even if the runners which root and grow into new plants and so produce overcrowding, are religiously removed so that the original plants can still be identified, they are likely to be tough crowned and unproductive.

The very finest strawberries, those mouth watering monsters that are displayed so enticingly at exhibitions, are produced on young plants which are one reason why strawberries make such excellent pot plants. If good rooted runners can be obtained now and potted individually in 125 mm pots in good rich soil it is as near certain as anything horticultural can be that next May-June you will be picking some very fine strawberries. There may not be a great many of them for the yield of young plants is not great, but they will certainly be good.

Because strawberries are at their best when young and can, if one has the time, be renewed annually they also fit well into the growing-bag technique. This is the modern system of cultivating plants in long, rather narrow plastic bags, like double-bolsters, filled with a rich peat-based growing mixture. The bags are laid flat, end to end if there is space for that, and

## GARDENING

ARTHUR HELLER

are slit open along the upper side so that plants can be grown in them. Since the strawberries will occupy the bags for no more than 12 months at most and can be fed intensively, they can be planted quite close, certainly much closer than puntists usually advise, with a spacing of about 15 cms about optimal.

For generations strawberries have been grown in soil-filled barrels with some plants on top and lots of others established in holes cut about 8 cms in diameter in the barrel side. In a few months the barrel is almost completely covered in strawberry leaves and makes an attractive ornament for a patio or terrace. Adaptations of this idea are special terra cotta planters and the plastic tower pots which can be purchased from some strawberry nurseries and garden centres. Tower pots are so clean and take up so little space laterally that they make good decorative features for rooms, but if good crops are to be produced the plants should do most of their growing outdoors and only be brought inside for the last few weeks when they are actually flowering and fruiting. Even then they will need plenty of light, near a large window for preference though not necessarily in direct sunshine.

Strawberries, especially when treated as an annual or two-year crop, need to be planted early, in August rather than during September or October. This almost certainly means going to a specialist nursery in the first place, as garden centres are unlikely to have supplies so early, but once started it is quite feasible to go on propagating one's own plants at any rate for several years. This is contrary to what the experts usually advise since they are always worrying about the build-up of virus infections, but the dangers are less under garden conditions than in the field. This is because virus is carried from plant to plant by greenflies which are difficult to control where strawberries are growing in large fields but are relatively easy to eliminate in the garden. Large-scale monoculture always brings its own special, and often acute, pest and disease problems and in this respect the small garden owner often has an advantage over the farmer and market grower.

Strawberries love rich soil and it is almost impossible to overfeed them. I like to use plenty of humus in the preparation of the strawberry beds and am fortunate to have access to almost inexhaustible quantities of old mushroom compost which suits strawberries well. I supplement this with a compound fertiliser applied immediately before planting plus a further application in spring to keep plants growing. This can be still further supplemented by liquid feeding either through the soil or direct to the leaves. Some of the most intensive commercial strawberry cultivation is done under glass in long shallow troughs or vertical plastic tubes filled with some very porous rooting

medium kept constantly moist with nutrient solution. It is a form of hydroponic culture which seems to suit the strawberry admirably, supplying it with all the moisture and plant food it requires without any danger that the "soil" will become over-compacted or the crowns of the plants will be so wet that they decay.

That, in a nutshell, sums up the ideal conditions for good strawberry growth and production—a porous and rich soil which never becomes dry and yet is never waterlogged. Sunshine helps to ripen the fruits but growth is most luxuriant in semi-shade. Outdoors it is difficult to satisfy both requirements, but when strawberries are grown under glass, one can vary the light intensity much more readily with discreet shading when it seems desirable. But even put plants are happiest for the first few months out of doors. They can stand in any not-too-worshipping place, ideally where there is dappled shade from deciduous trees. What is of even greater importance they must never be allowed to become really dry. They love moisture, which is why the hydroponic system suits them so well. I have never tried them in leuca and water fed with a slow release resin-based fertiliser (the method now known as hydro-culture) nor have I heard this recommended for them, yet I fancy it would suit strawberries well.

It is important to grow good varieties and to start with healthy plants. There are two major types to choose from, summer fruiting which bear all their fruits in June and early July and perpetual or remontant which fruit more or less continuously from July to October.

## WORLD CHESS

LEONARD BARDEN

ANATOLY KARPOV has at last broken the deadlock and won the record draw series in his world chess championship match against Viktor Korchnoi, the Soviet defector. Karpov won game eight of the series in 28 moves on Thursday and now leads 1-0.

This brilliant win was Karpov's first convincing game of the match and showed his ability to exploit the slightest error. Korchnoi's risky open-

ing play weakened his defences. And the champion, launched a combined piece attack culminating in a rook and queen sacrifice to force mate.

Korchnoi only has himself to blame for being behind in the match. He had a material advantage in the seventh game, a strong attack in the third, an elementary win in the fifth, and spoiled them all. The championship goes to the first player to win six games, draws then Korchnoi, often had not counted on that in theory there is a long way to go; but the overall impression is that Karpov is warming up.

When Korchnoi came to the board for the eighth game, Karpov snubbed him by refus-

ing the traditional handshake. A Soviet statement said this was because of Korchnoi's drawn-out protest over a Russian doctor seated in the audience 100 feet from the board and allegedly trying long-distance hypnosis.

Can Korchnoi get back into the match? It looks unlikely, although the play so far resembles the 1974 series between the same opponents. Then Korchnoi, often had not counted on that in theory there is a long way to go; but the overall impression is that Karpov is warming up. When Korchnoi came to the board for the eighth game, Karpov snubbed him by refus-

are taking no chances of a repeat and Karpov's regime includes daily tennis and a specially prepared diet. Two episodes have shown why world championship chess is both absorbing and difficult to all involved with the match. In the fifth game, Korchnoi and his British grandmaster seconds analysed for many hours but completely missed the point of Karpov's sealed move into N-R2. In game seven, all the commentators predicted Korchnoi would resign at adjournment, but both camps then discovered a totally unexpected resource. It was so strong that Karpov at once offered a draw.

## STAMPS

JAMES MACKAY

a heavy burden, the Commonwealth Games which opened yesterday in Edmonton will encourage them to become fit. Canada is an appropriate venue

was released yesterday and followed the same pattern as the pre-publicity pair. Two 14c stamps side by side feature the new Commonwealth Stadium in Edmonton and the sport of running. The pair of se-tenant 30c stamps depict the Alberta legislature building in Edmonton against a stylised background of the foothills of the Rockies, and the sport of lawn bowling.

The choice of bowls is a curious one, but highlights one of the sports which appear in the Commonwealth Games and not in the Olympic programme. This medieval pastime fell into disrepute in the 17th century due to the excessive drinking and gambling which accompanied it. It was resurrected by the Scots in the 18th century and this perhaps accounts for its similarity to curling. Indeed, the resemblance is so strong that it is hard to explain why Canadians devote themselves to

the one while largely ignoring the other. The appearance of bowls on a stamp may encourage more Canadians to take up this activity. Relatively few other Commonwealth countries are participating in the philatelic side of the Games. The Isle of Man issued a 7p stamp on June 10 showing a swimmer, cyclist and walker. This was part of a series of four stamps with a North American theme—a single for the jubilee of the North American Manx Society and a pair honouring James Ward, the Manx pioneer of Three Rivers, Canada. Kenya released four stamps on July 15, designed by a local artist and printed in multi-colour photogravure by Fournier of Spain. Two stamps show boxing and javelin throwing, while the other two portray President Kenyatta greeting the 1988 Olympic Games team and admiring the champion boxing trophy.

## Travelling companions

There are two schools of thought about paperback holiday. One is that now at last is the chance to get through some massive classic like *Anna Karenina* (in both Penguin and Pan at £1.50) or *The Major of Casterbridge* (Macmillan 75p) which one has been meaning to read again ever since seeing it on television. The other is to take a selection of less demanding, disposable, one-off titles which will suit any mood from rain-induced gloom to sun-inspired joie de vivre. For the latter try William W. Warner's *Beautiful Swimmers* (Penguin 1.50) which won a Pulitzer Prize last year, an account of waterman, crabs and the Chesapeake Bay; *Time* magazine thought it "worthy of space alongside *Rachel Carson's* classic *Edge of the Sea*."

If it should rain a thriller may take your thoughts off the hotel-lounge and the forecast; for instance, Desmond Bagley's *The Enemy*, a spy job, available from Fontana at 85p. But if you're bored with outwitting the KGB and want a classical whodunnit with a giant corporation background, two Emma Lathens have conveniently been cropped up as Penguins, *Sleuth and Love*

and *By Hook or By Crook* (both at 85p); my colleague William Weaver who does the crime regularly on the FT Books page wrote "Miss Lathens at the top of her form."

My own approach to holiday reading is slightly different. I don't want just escapism nor on the other hand do I find the atmosphere conducive to total immersion in Gibbon or Muriel. What I like is to get to know

## PAPERBACKS

ANTHONY CURTIS

some contemporary of a certain notoriety or renown who has aroused in me earlier a curiosity still unsatisfied. Three people appear in paperback this month who come into this category, all happen to be American: Lillian Hellman, Martha Gelhorn and Woody Allen. The first and the KGB and want a classical whodunnit with a giant corporation background, two Emma Lathens have conveniently been cropped up as Penguins, *Sleuth and Love*

fashionable kind of dissenting conformism within American society and our own. Basically they are good bourgeois like you and I, but they refuse to be pushed around whether by the investigative journalist, the studio head or the senate committee. They embody a tiny triumph for wry, civilised person, an integrity against the almighty boardroom, catch-22 forces that threaten to pounce and wreck the lives of any one of us at any time. The Hollywood hearings first focussed the attention of the world on this situation and they have now become like an earlier era in the West, one of the goodies-and-baddies myths of America. If it is these hearings that provided the plot for Woody Allen's last but one film and are the subject of Miss Hellman's latest, autobiographical volume, aptly named *Scoundrel Time*, now a paperback (Quartet £1.50).

Here with all Miss Hellman's gift for vivid recall is what it was like in 1952 to be summoned to appear before the House Committee and to have to testify whether she or other people, former colleagues, friends, acquaintances—there was the rub—had ever belonged to the Communist party. She describes the agony of whether or not to plead the Fifth Amendment, then the drafting and redrafting with her lawyer of a letter stating that she would give evidence about herself for as long as required but not about other people. It was a courageous stand and if Miss Hellman relishes the role of the St. Joan of Los Angeles it is written.

Unlike the Maid she was very choice-conscious: it is a heart-warming touch that before the hearing she went out and bought a Balmain dress in which she testified. Hell, she was not going to appear before the committee looking a mess. We smile but the smile is wiped when we hear what she has to say of having appeared before the committee did to her materially, professionally and emotionally, and to her great friend, Dashiell Hammett who comes intermittently into the story.

Martha Gelhorn never, so far as I know, had to testify. But throughout her career as a writer which has been a long and honourable one, she has had a knack of being around where the action was, particularly if the action involved war. She is a surviving veteran of the Spanish Civil War (she was once married to Hemingway) and saw service in the Second World War in Europe. She wrote on-the-spot dispatches of these wars but she is also an imaginative writer with a strong narrative gift. The Honeyed Peace brings together her short stories in which she shows the long-term effects of war upon certain individual survivors. Settings range from the liberation of Paris just after Grimsby where a Polish hero has set up with some ex-service friends in the fishing industry. These highly readable and brilliantly observed stories are among the most accurate studies of the aftermath of war ever written.

## ART GALLERIES

ASH BARN, Somerset exhibition of Peter and Susan. Also sculpture. Ash Barn, Somerset. Open 10.30-5.30. Tel: 01458 854444.

BLONDINE ART, 24, St. Paul's St., W.1. Tel: 01-477 1200. ANTHONY CROSS, 12, St. Paul's St., W.1. Tel: 01-477 1200.

FIELDHOUSE GALLERIES, 52, Queen's Gate, London. Tel: 01-235 1111. SUMMER EXHIBITION.

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UK Top 20 (viewers m)		11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.30	7.00	7.30	8.00	8.30	9.00	9.30	10.00	10.30	11.00	11.30	12.00	12.30	1.00	1.30	2.00	2.30	3.00	3.30	4.00	4.30	5.00	5.30	6.00	6.3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## FINANCIAL TIMES

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Saturday August 5 1978

## A bull market of sorts

THE PAST WEEK has been a good one for equities. The FT Actuaries All Share Index has risen above its earlier 1973 peaks to reach in the course of the week the highest level since the compilation of the index in 1962. The rise has by no means been confined to London. The Dow Jones Industrial Average also reached a new high for the year, although it is still substantially below the 1978 peak.

In many other centres, ranging from Canada and Australia to Hong Kong, Singapore and South Africa, equity indices reached a 1978 high. The world index prepared by Capital International not only achieved a new peak for the year, but is not at that far below the previous peak of early 1973.

At first sight there is a contrast between what the Stock Exchanges have been doing and the outlook for real business activity. The recovery from the bottom of the 1975 world recession is now nearing the end of its third year, and on cyclical grounds a downturn would be expected. This need not mean an actual fall in output, but might be what some economists call a "growth recession". In other words output would rise but its trend rate and unemployment and unused capacity increase again.

## Generalisation

There is, of course, nothing divinely ordained about the four or five year postwar cycle, which is simply a rough generalisation from highly variable experience. The very modest nature of the post-1975 recovery could itself enable the upturn to continue longer. It is true that the measures agreed at the Summit would, even on conventional theories, make only a modest impact on the level of world output. But this might itself be reassuring, as it reduces the prospect of another inflationary wave, followed by a grinding halt.

In the UK there has been a contrast between the very rapid if temporary spurt in the growth rate, widely predicted for the middle of this year on the basis of the rise in real incomes, and the very moderate expansion reported by businessmen themselves. There are so far few second quarter indicators on which a firm opinion can be based. But if in fact the UK economy has avoided a sharp and unsustainable mid-year spurt, the prospects for continuing growth may be that much better.

It is, of course, always possible to find bullish pointers if one is looking for them. There has been a slight easing of dividend controls, although the main distortions have not been removed.

## Why gold is unlikely to go out of fashion

AS IN a tempestuous marriage, gold and the world live in an uneasy relationship which often threatens to break up but never quite reaches the point. Those who dislike the metal regard it as a barbarous relic, often obtained by dubious means and largely mined in countries whose political systems are frowned upon in the West.

They consider it outrageous that over the centuries gold should have retained a monetary standing and trust that today still exceeds those of many paper currencies which include the U.S. dollar, no less. And because in times of economic and political uncertainty men turn to gold—as the French did before their election in the spring of this year—the firm bullion price is associated with possible ill-effects.

It seems that the world has yet to find an alternative to gold which will be as acceptable in both the monetary and industrial senses. At the moment the price of the metal is rising on both counts. The main impetus comes, of course, from the decline in the value of the U.S. dollar or, perhaps, it might be fairer to say the decline in world opinion of the U.S. Administration's performance.

Even so, the present demand is not nearly so inflated by speculative buying as it was in the previous price advance of 1974 when the speculative content was estimated at 60 per cent or so of total demand. This time the market is being bolstered by an underlying strong industrial demand which exceeds the level of newly mined Western production.

## Seriously short

Anglo American Corporation of South Africa, which is responsible for some 27 per cent of non-Communist world production, said in its recent annual report that if official sales, such as the International Monetary Fund auctions, were to be discontinued, "the market would be seriously short of physical gold."

In 1974 many industrial users of gold were priced out of the market. This time the main import of the price rise is in terms of U.S. dollars. In terms of strong currencies such as the Swiss franc or the Deutsche Mark the recent price rise is far less marked, and indeed, the price of gold in these currencies is still lower than it was in 1975.

The overall demand-supply position has been recently examined by Christopher Glynn in *Gold 1978*, published by London's Consolidated Gold Fields. Total world supplies of gold to the free market last year are put at 1,807 tonnes. Of this, South Africa produced 700 tonnes, Soviet supplies

accounted for 401 tonnes and a further 241 tonnes came from official sales which include those of government agencies, central banks and IMF disposals.

Where did this gold go? Net private purchases for investment accounted for 220 tonnes while the remaining 1,387 tonnes came under the heading of "fabrication." The two major items under that heading, which includes the off-take for exclusively industrial purposes such as dentistry and electronics, were jewellery 979 tonnes and official coins 136 tonnes.

Here we enter the grey area interest representing 911 tonnes in 1977.

It seems more likely that the present purely speculative demand is about 20 per cent of total demand. It is also pointed out that overall investment interest as a proportion of total supplies shows a progressive decline from 67 per cent in 1974 to 57 per cent last year. The question remains about how much gold might find its way back on to the market in the event of a change in sentiment brought about by, say, a sustained reversal in the price.

Nobody knows, but experience is that most holders of gold on this occasion it is far higher than usual.

Going back over the longer period before gold prices took off, the market has easily absorbed the regular sales of gold auctioned by the International Monetary Fund, the proceeds of which go to a trust fund for the developing nations. The auctions began in 1976, when a nervous gold price dropped to not far short of \$100 an ounce at one time, and are designed to sell some 25m ounces over a four-year period.

It has also accepted sizeable sales from countries including China, India and Portugal, and has been undismayed by the recent U.S. Treasury offerings which were designed to provide a measure of stability for the dollar from a country whose stable policy has been in favour of the demonetisation of gold. Meanwhile, domestic U.S. investment interest in gold really started to take hold last year, being manifested in trading in the futures markets and in the demand for Krugerrands.

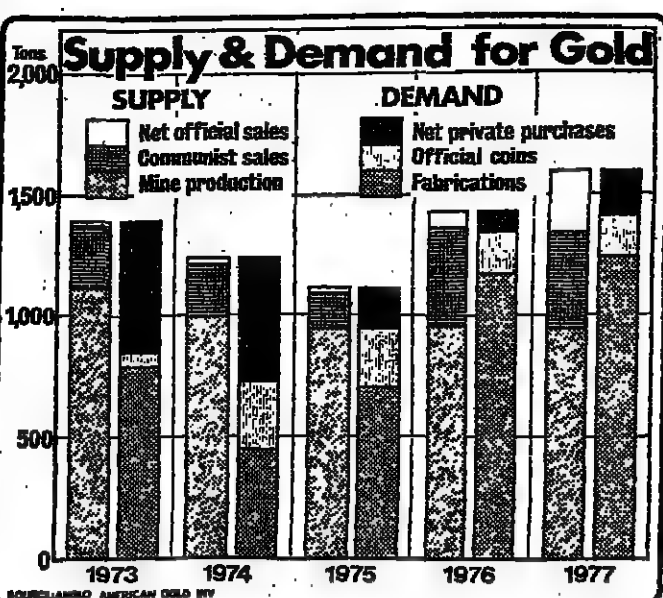
## Offsetting factor

What of the short-term supply outlook? This year the IMF and U.S. Treasury offerings will contribute some 240 tonnes and further offerings will come from Portugal and possibly the smaller deficit countries. Gold 1978 reckons that there could be the offsetting factor of discreet purchases by some central banks and monetary agencies which would reduce the net total of official offerings to between 300 tonnes and 350 tonnes.

As ever, the size of Soviet supplies can only be guessed. Production is rising; it is currently believed to be about 400 tonnes a year and economic factors do not inhibit mining activities in Russia. More important is the Soviet need for gold in its trading with the West and it may be assumed that sales will continue to be regulated in a manner which will avoid rocking the boat.

The degree to which higher gold prices will stimulate production in the West is small, bearing in mind the fact that mining costs have also risen. Even at \$200 per ounce gold is barely economic for most producers outside South Africa. The latter's mines have much lower than average costs—the current level for the industry runs at a little over \$100 per ounce—while many of them enjoy an important by-product revenue from uranium and all benefit fully from the high U.S. price because the exchange value of the South African rand is tied to the dollar.

But South African production costs have risen dramatically in recent years, notably in regard to the wage bills for



both white and black workers and the rising price of power supplies. Over the past four years the cost per tonne of ore mined has increased by more than 100 per cent—there was a 21 per cent rise last year—and the escalation continues.

## Lowest for 16 years

At the same time productivity has been declining and in 1977 the Republic's total gold output was the lowest for 16 years. This year South African output has been recovering and with the starting up of new mining ventures—currently in the development stage—gold production is expected to increase further. But while the industry is now enjoying buoyant earnings it will need to justify the opening up of new properties at today's high costs.

On this basis, it seems that gold stands a good chance of maintaining its current levels. It may well go higher although any further sharp rise could damage the industrial demand as the producers know only too well. Like most other commodities, the metal is bound to have its ups and downs, but until we reach that perfect age when paper currencies can command a universal trust, gold is unlikely really to go out of fashion.

## Letters to the Editor

## Docklands

From the Secretary, Movement for London

Sir—On July 18, 1978 you published an excellent leader page article entitled "Strategy for wasteland", in which you outlined the various measures under consideration to renovate the industrial base of East London's docklands. The article stressed that "the key to a revival lies in better transport," and quoted the then Greater London Council leader, Sir Reg Goodwin, as saying that "the social consequences could be quite disastrous if rebuilding does not start soon."

You will forgive therefore, a certain feeling of déjà vu creeping over one when reading your leader page article of July 31, 1978, entitled "The battle to win the tide for London's East End," which seems to be stressing just the same points with the same urgency; but two years later.

What has happened in the meantime to this transport "key" for London? Given that local and central Government are for once agreed, and acknowledge that new surface transport infrastructure is vital to the area, might we have hoped that in the last two years there would have been some semblance of action?

The only positive moves seem to have come from the GLC alone, which is at any rate pushing ahead with the realignment of the A13 between Canning Town and Limehouse within its current five-year programme.

But what of the Government's schemes for new road links between the East Cross Road and the M11/North Circular, and indeed the M11 and the A12? Have they moved forward in the national road investment programme as an overt act of faith in docklands? If anything the opposite is happening, and recent admissions from the Department of Transport suggest that the inevitable public inquiries to establish the main line of these schemes (let alone the relevant side roads) will now be delayed for at least two years.

Most important of all, the new river crossing in East London—surely the cornerstone of any new network—is still the subject of wrangling between County, Local and central Government, whose financial responsibility

## Profits

From Mrs. E. Wittenberg  
Sir—I agree entirely with Mr. Banchoff (and I hope he would not describe that as twaddle) that the inability to deal with the decimal system is nothing new (July 29). There is now, however, a growing need to understand and use the decimal system as metrication becomes more widespread.

In my letter (July 18) I blamed neither pupils nor teachers; I related a recent experience and posed the question of how the present state of affairs could be improved.

(Mrs.) E. Wittenberg  
3, Finsbury, Church Road, Isleworth, Middlesex

## Insulation

From the Chairman, National Cavity Insulation Association  
Sir—Further to Michael Cassell's item on polystyrene beads (Building and Civil Engineering page, July 31), we are not aware that there is a debate on which the best insulation method for cavity walls. Foam is accepted as the proven method, being at a realistic price. It is the chosen method of installers representing 90 per cent of the industry; it has a 20-year history in this country, during which time much useful research and development has taken place; and it is recommended by the Department of Environment and the Department of Energy in their "Save-It" campaign.

## Any cowboy element has been land, having a present value of

handed long since due to the c. £780,000. Under both contracts the lessee pays rental for the use of the appropriate asset. It is being suggested that he should not have many capitalised customers as the land? The most material item, in this example, is obviously the land; to capitalise it will present a grossly misleading balance sheet and yet to capitalise the tractors and not the land appears inconsistent.

Consistency is surely best achieved by the respective owners capitalising their own assets, leaving the lessee to indicate his commitments by way of a note to the accounts. W. G. Wade, Coulton House, Barnby Road, Pocklington, York.

On the other hand, polystyrene beads have only been used for this purpose for a few years (they are not new, incidentally—just not acceptable to the majority of professional installers, who feel they are yet to stand the test of time). We know foam can last for the lifetime of the building and we do not feel laboratory tests to be similarly conclusive.

Cavity walls were built to keep out the cold and damp. They do this efficiently with cavity foam. Whereas head manufacturers appear to think some movement of cold air in the cavity is an advantage. Neither we nor our draught-free customers have heard this argument before.

E. C. Hodgson, 178-202, Gl. Portland Street, W1.

## Assets

From the Managing Director, Grimaldas Humberlyde  
Sir—We are intimately concerned with the present controversy surrounding the capitalisation of leased assets, our own view being in complete harmony with that of the Equipment Leasing Association. Present indications are that the accounting standards committee is likely to recommend capitalisation by the lessee and I therefore pose the following question. A farmer leases two tractors, taking over the cost/value of (say) £12,000. He also leases 200 hectares of prime agricultural

## Mortgages

From Mr. W. Murphy  
Sir—I refer to the letter from Mr. H. Brinkley (July 26) in which he asks why, if it is understood that there is no such thing as tax relief on mortgage interest and, therefore, no subsidy?

A man with a salary of £5,000 who pays mortgage interest of £1,000 has cash remaining and a taxable income for all the purposes of the Income Tax Acts of £4,000 only. He was never liable to tax on £5,000 and would only have been so liable had he not paid mortgage interest. The common defect in our thinking is to assume the effect of not paying interest and adhering to that assumption when, in fact, interest has been paid.

Government and the majority of the population regard the deduction of mortgage interest as an allowance given by the legislation but, in fact it is not an allowance but a natural phenomenon; the man who pays the interest no longer has the money features of earlier correspondence and cannot, therefore, pay tax; the recipient of the interest will have the money and will suffer the tax on it and it is a matter of bitter indifference to the Government—tax will be paid—so where is the subsidy?

Remember the story of the wife who asks her husband for a fur coat which he refuses; she then suggests buying a new carpet with the money which he has saved by not buying her a fur coat. Saying "no" on mortgage interest is the same story, differently clothed.

W. Murphy, 40, Outwoods Road, Loughborough, Leics.

## Scrip

From Mr. S. Ghosh  
Sir—Would you permit me to support Mr. S. Lupin's plea (July 25) for scrip issues? I have also raised the question in an AGM but the chairman advised that he did not see that the shareholders would gain from it. The dividend gain may not be immediate (it could be if the Government were persuaded) but there is a prospect in the long run. Isn't there? Besides, the investors who may not desire to hold a particular share for a long time would have a legitimate gain from the extra number

of shares. Whatever the shareholders' interest, the company loses nothing by issuing scrip. On the contrary, those companies who have unissued shares in their books would probably find their share prices rising if they are able to have their authorised capital fully subscribed through scrip.

It is only right to put on record that there are companies who take a positive view on this subject and issue scrips to look after the shareholders' and their own interests.

Sunil K. Ghosh, 21, Woodfield Road, Peterborough.

## Disasters

From Mr. V. Robinson  
Sir—Accountability, skill and the chartered engineer (Mr. J. W. H. Brinkley, August 3). When I read your article quoting Bob Malpas) are related to features of earlier correspondence in your columns concerning registration of professional engineers.

Every person (not just a safety officer) in a responsible position concerned with design, operation and maintenance of process plants should by law, be a chartered engineer, or its equal in other technical professions. The public could then be assured that such responsibilities were being carried by persons who at the very least had a specified and approved professional experience and had achieved a level of academic knowledge acceptable to their professional peers.

In addition, and as important, the public would know that, as chartered engineers, such persons subscribe to a code of ethics in exercising their professional judgment. This has been a live subject of debate for some time in the chartered engineering institutions but despite several official "enquiries" (currently Finlinton) the public does not seem to grasp the point. In minimising risk of disaster to people and property, the chartered engineer must be regarded in the same light as a doctor who minimises the risk of serious damage or death through illness.

V. Robinson, 1a, The Crest, Surbiton, Surrey.

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# Problems for the 'cakes and ale' merger

BY KENNETH GOODING, Industrial Correspondent

THE CITY'S immediate reaction to the proposed "cakes and ale" merger between Allied Breweries, Skol, Double Diamond and Long Life group, and J. Lyons, the tea and food combine, ranged from puzzlement to outright hostility.

A very strange deal, commented one puzzled stockbroker. Another said that "it is the concept, not the price, that worries me." For public consumption the "brokers" were having to take a more positive line. But they were having extreme difficulty to find anything positive to say in favour of either the financial implications of the deal for Allied or the industrial logic.

Perhaps the most important point made by one broker after another, was that the deal raised worrying questions about how Allied views its future. "Does it see no real or significant growth in the British drinks market from now on?" it was asked.

Allied is already Britain's biggest drinks business, so it can by no means be described as typical. It is the product of a massive merger in 1961 when three already-large brewers got together. Their names remain on the pub signs today, although the average drinker might not know the name. Allied Breweries, they certainly recognise. In the Midlands and Tetley Walker further to the North of England. Between them they have around 4,000 pubs.

The beer business is complemented by a wine and spirit division which includes Harvey's, the Bristol Cream sherry concern, Balychem, the Grants of St James's table wines as well as Nicolas French wines, Sansovino Italian wines, Goldenrod Oktober German wines and Don Cortez Spanish wines.

Through its Vine Products (VP) offshoot Allied has about three-quarters of the UK market for British wines, sherry and port style in the main. The cider interests are controlled by Costes, Gaymers and Whiteways. In soft drinks Allied owns the Britvic and Minster brands. Most of these products can be bought at its Victoria Wine off-licences.

## Three purchases

In the past year or so it has made three purchases. The Teacher whisky group, whose Highland Cream is the second-best-selling brand in Britain, the Embassy Hotels, cinema, which owned 45 hotels and Goldwell, a small speciality drinks business with products similar to Balychem which had just spread its operations from the UK to the U.S.

Allied had no problems in explaining just why these deals fitted logically into its existing operations. At first sight, the same cannot be said about J. Lyons. There is some overlap in soft drinks. Lyons is probably the biggest manufacturer of "own label" soft drinks for the supermarkets, and in catering it has 37 London Steak Houses in London and the South East.

But Lyons is also Britain's biggest cake maker taking in Bales, as well as Lyons brands. It has 10 per cent of the packet tea market via Tetley and Lyons teas. It is one of the country's top two ice cream producers, along with Walls. "Do these really fit with beer, wines and spirits?"

Mr. Derrick Hadden-Brown, Allied's deputy chairman, insisted yesterday that "it is not such a big step. Expansion into food had been one of Allied's targets for some time. However, what Allied finds

particularly attractive about Lyons is that it has more than half its business outside the UK.

The Netherlands contains Lyons' major overseas operations in Europe. It has the Homburg pig meat processing company there, the Beckers snacks (meat balls and sausages) concern, and Hoolmeier, which makes the Haust and Bussink brands of biscuits.

Elsewhere in Europe, Lyons owns Reybier in France. This company makes picnic products like dried hams and salami. In Italy there is Sapor, a Siena-based cake company and in Ireland Lyons is brand leader in packaged cakes and has 60 per cent of the tea market.

Other Lyons' food operations are scattered around in Australia, South Africa, Rhodesia and Zambia. And it has a reasonable foothold in the U.S., where it has its biggest overseas business, through DCA Food Industries, which produces doughnut mixes and the machinery to go with them as well as other catering mixes. There is also the Baskin-Robbins ice-cream chain which has started to move outside the States and into Canada, Japan, the Benelux countries as well as the UK.

Ironically, it was Lyons' determination in the early 1970s to improve its international position as a food manufacturer by way of acquisitions and to reduce its dependence on the UK economy which brought it major problems.

Because of exchange control regulations, Lyons had to finance these purchases mainly by borrowing foreign currencies. In 1976, when the value of sterling dropped steadily compared with other currencies, the overseas debts looked even

bigger when the balance sheet was being drawn up.

To make matters worse, the collapse of the UK property market made it difficult for Lyons to sell off surplus properties associated with the transfer of its baking and meat operations from the obsolete factory premises at Cadby Hall, in West London, to new purpose-built premises in Carlton, Yorkshire, and Northampton respectively. This helped push borrowings up even further.

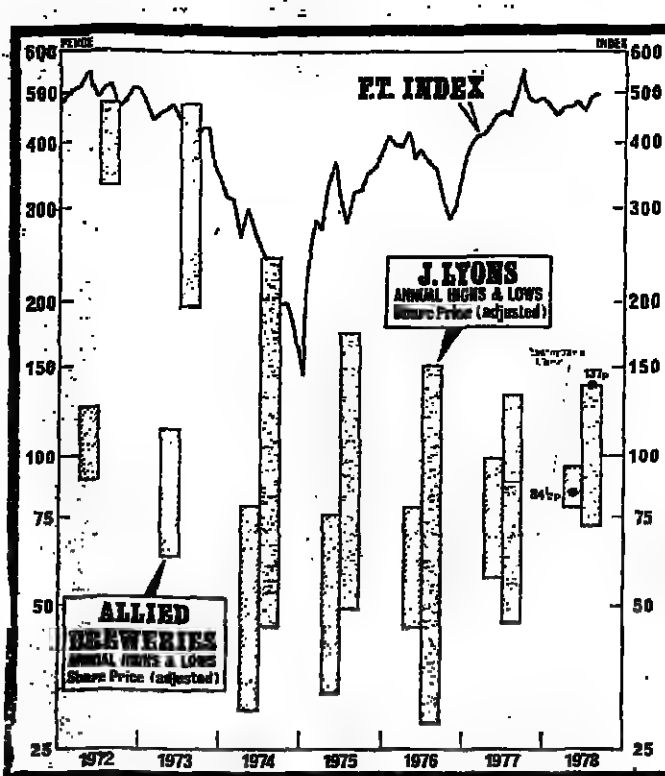
Lyons had a rights issue of shares in an attempt to get a more reasonable balance between the load of debt and shareholders' funds. But the continued decline of sterling necessitated further action.

Some substantial sales were made. Lyons sold nearly all its hotels in the UK and Ireland. The Wimpy beefburger franchising operation in the UK, built up by Lyons from 1955, along with Golden Egg and Bake'N' Bake, was sold. And in the U.S. the Tetley tea and coffee business was disposed of.

## Debt burden

Various changes were made to the structure of the debt burden at the same time as all this was going on. But Lyons still faced an uphill struggle. Mr. Neil Salmon said yesterday the Board was confident the company could recover by its own efforts. "But the rate of progress and the opportunities foregone because of our lack of financial strength persuaded us that the right decision was to get Allied behind us so that our recovery would be more rapid and the opportunities not be missed."

So it is Allied, the big financial brother, which appeals to Lyons.



As far as Allied is concerned, the Lyons' operations abroad would enable it more or less to double its business outside Britain. And, another plus point, both Lyons' and Allied's major European operations are in the Netherlands.

Allied invaded Holland as far back as 1968 when the Oranjeboom Brewery was acquired, followed shortly afterwards by the purchase of the Breda Brewery. The cost was around £16m. Today the two have been merged into Skol Brouwerijen which operate four breweries with a total capacity of 1.53m barrels (440.64m pints)—roughly one quarter of Allied's UK production. The group's products are on

its competitors from interests outside the UK.

The problem it faces in Britain is that it is so big already that any serious attempt to enlarge its drinks operations by way of a significant acquisition would certainly be halted in its tracks by the Monopolies Commission.

But many argue that Allied could squeeze a lot more in the way of performance out of its existing businesses.

Take the beer division, for example. Its problems were outlined in a recent Price Commission report which in most other respects was reasonably complimentary. The Commission suggested that the beer division's size, coupled with the widely scattered nature of its operations, "has brought difficulties often associated with longer lines of communication, sometimes inadequately motivated local management and a loss of identification by the work force with the objectives of the company."

"In particular the separation of production and distribution on the one hand and sales on the other, and the creation of large sales companies, have caused difficulties in communication and internal relationships. In turn this has had adverse effects on customer service."

It must be assumed that this is Allied's own assessment of the situation because the Commission did not have enough time to dig out that kind of sensitive information without help.

Allied's answer, which comes into effect in September, has been to reorganise the beer division into 11 separate companies, each becoming accountable profit centres. The reorganisation produced a major

casualty and Dr. Bernard Kilkeny, formerly head of the beer division, quit because differences of opinion could not be resolved.

## Keg beer

The changes are designed to halt the slide in Allied's share of the beer market, a slide caused partly because sales of Double Diamond, the keg beer which was formerly the group's best-selling beer brand, have dropped steeply—some say by as much as 20 per cent.

If all goes to plan, the reorganisation should show some benefits in year one but it will take around three years to make a major impact on the group's performance. Allied obviously feels that the same kind of decentralised approach to management can be employed with Lyons. "They will become the food division of Allied and will be left to get on with it," said Mr. Jolden-Brown.

However, there is no doubt that many City observers would prefer Allied to stick to the businesses it knows. Memories come flooding back of the time, 10 years ago, when Allied announced a merger—potentially the biggest of all in the UK—with Unilever. The City did not like that idea much either. The proposed deal was referred to the Monopolies Commission, and during the enforced waiting period this involved, the companies decided not to go ahead after all even though the Commission gave them the all-clear.

There is, it must be supposed, some possibility that this little bit of history might be repeated if the bid for Lyons is, in turn, referred for Monopolies investigation.

## Weekend Brief

### All Greek

SHE WAS RESPONSIBLE as the Queen of England is responsible, said a senior Onassis Group executive in New York, poo-pooing the more alarmist news stories of the week. Whatever they may feel privately about Christina Onassis' marriage on Tuesday to the former Russian shipping official, Sergei Kazov, the Onassis management is putting a brave and understanding face on it. Suggestions that the land which guides the Onassis family have fallen under some sinister Soviet influence are, in the Press she was credited with a number of important decisions but the only one which Onassis executives in New York would acknowledge was the hiring of a young lady is not the dominant managerial figure that her father was. "She has no Executive Corporation to run, she has no Olympic Maritime, which manages most of the group's executive whose knowledge of shipping operations out of the Onassis business dates back more than 50 years."

Nevertheless, Christina's interest in the business has not apparently been totally extinguished by her Russian marriage. Onassis executives in New York headquarters on Fifth Avenue were interrupted by a ten-minute call from Moscow. I was told that his was more or less a daily event and that, although Christina wants to lead her own life and be happy because he is a woman, she had by no means cut herself off from the men who run the shipping group on a day-to-day basis.

The company's wish to minimise her involvement is understandable—the Onassis group has the majority of its fleet on long-term charter to operators who do not want to be worried about the company's internal stability. But it contrasts somewhat with the impression of her role which was given both before and after Aristotle Onassis' death in March, 1975.

Onassis was consumed by the characteristically Greek desire to pass on a substantial inheritance to his son, Alexander. Although relations between father and son were often difficult and Alexander increasingly resented his financial dependence on his father, Aristotle doted on him and was grief-stricken when the young man was killed in a plane crash in January 1972.

Christina's life had not been easy and by the time of her father's death she had already displayed the impulsiveness and unpredictability which may have taken her to the Moscow wedding this week.

She was born in New York in December 1950 from Onassis' union with Tina Livanos whom he subsequently divorced, and who went on to marry the Marquis of Blandford, and then Russia's arch rival Stavros Niarchos. Both she and Alexander are said to have found their lives after the divorce difficult and to have nurtured the hope that their parents would marry. But her life was notably restless and her teenage years

divided between the worlds of New York, London, Paris, Monaco and Athens. In 1971 she infuriated her father by marrying a California real estate man, Joseph Bolker who was 27 years her senior.

Within eight months she was divorced from Mr. Bolker, and when the death of her father followed by her father falling seriously ill she was, in 1974, a crash course in the affairs of the Onassis Organisation. According to Mr. George Moore, former chairman of the First National City Bank, "She was present at practically every meeting I had with her father after her brother died, she was unusually able to remember everything he said, and had told her, almost as if she had a computer in her brain programmed by A.I."

It is hard to tell whether, as the Onassis management would now seem to have us believe, Christina has ever been anything more than a figurehead. In the Press she was credited with a number of important decisions but the only one which Onassis executives in New York would acknowledge was the hiring of a young lady is not the dominant managerial figure that her father was. "She has no Executive Corporation to run, she has no Olympic Maritime, which manages most of the group's executive whose knowledge of shipping operations out of the Onassis business dates back more than 50 years."

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Christina signs a question of floating assets.

represents an attempt to reverse a long-term trend towards a reduction in the availability of banking services. Saturday morning opening, once general, was ended in 1969 and since then bank staff unions have remained strongly opposed to its general restoration.

For a time after that, the banks continued to maintain late evening opening, outside the normal 9.30 to 3.30 hours, on at least one day a week throughout the then 8,000-strong branch network. In 1970, however, the banks received the results of a special survey prepared by Urwick Orr. This showed, among other things, that evening hours had attracted an unexpectedly high level of business in many branches, mostly from private individuals, in spite of the fact that a high proportion of customers had not been made aware of the facilities being offered.

On the strength of that report the banks decided to cut the number of branches which opened in the evenings to about 2,500. Since then, the numbers have dwindled further. The Price Commission, in its report on bank charges earlier this year, noted that "in 1972, about 10,000 branches of the major of the brightest in the shipping industry clearing banks were business. She says when I come back I feel like taking over, but I will take over. But now I don't want any responsibilities."

The need for longer opening hours has to some extent been reduced by the increasing adoption by the banks of cash dispensers and credit cards. The growing sophistication of the machines being installed outside the branches means that in most urban areas at least the customer can get access to the basic facility of drawing money out of his account outside normal hours.

The Commission, though, was obviously sceptical about the extent to which these arrangements provided a real alternative to the banks that were being closed. There was little demand for an extension of hours. "We believe," its report said, "that the customer should be able to obtain the services he needs from his bank at mutually convenient times," and the Commission urged that the banks should seek ways of achieving greater flexibility.

The agreement which the bank reached for Saturday opening at its Brent Cross branch, an exceptional situation where full banking services will be available, required special negotiations. And if the bank goes ahead with its ideas on Saturday opening, it is likely to have to meet considerable extra costs. This is the price which will be paid for a move which

on the basic banking business

## After the deluge

The heavy rains of the past week have done much more damage to the slowly ripening grain crops in southern England than first reports had indicated. This is because the continuing humid cool weather has compounded the physical damage. An isolated thunderstorm followed by hot dry weather has little overall effect but after near saturation for the week straw becomes rotten, diseases run riot and immature grain will sprout before it is fit to harvest.

The situation on a large farm in Hampshire illustrates just what has happened since last Saturday. Winter barley which was being harvested then at the safe moisture content of 16 per cent was being combined yesterday at 23 per cent. This means expensive drying to make it safe for storage and a loss of a potential marketing market for which the balance was suitable. Instead of a good bright berry the grain is stained and there is a possibility that some will have started to germinate. Because of the damage it is estimated that the yield when the combine harvesters re-started was at least 10 per cent less than a week ago.

Wheat which was looking quite well has been badly knocked about and the colour has changed from a healthy green to a variety of shades indicative of different fungus infections. It is as yet impossible to assess just how much damage has been done but the badly flattened crops could be very seriously affected. In the worst cases fungus infections can cause at least 50 per cent drop in potential yield but there is hope that the crops were too far forward when the rain came for them to be seriously harmed by these diseases.

Some spring-sown barley has been laid flat but most of it, being a rather thin crop this year, is still standing. Where it has been laid the most obvious danger is from regrowth which is already happening in crops that were damaged some weeks ago. This results in very uneven ripening and a very poor sample.

The remainder of a crop of ryegrass for seed of which half had been harvested is now a dead loss. The remaining seed

has been beaten into the second growth and is sprouting. Its disposal provides a problem because it is now completely valueless and the land will be needed for the next crop.

A field of canning peas has been ruined except for animal feed. Instead of ripening a large proportion of the pods are splitting and the peas are sprouting. Only a prolonged heatwave will prevent them becoming a total loss.

## Back fire

Now that Air Canada has started a direct flight to Saskatoon, Saskatchewan, Britons have another worry on their hands—skunks!

A leaflet has been issued about skunks, headed, "Ready, Aim . . ." The skunk, it says, has reached the pinnacle of recent development. Two glands near the base of the tail produce a thick, oily fluid, yellowish in colour. Each gland, about the size of a grape, contains a table spoon of musk, sufficient for five or six sprays.

Being unaggressive by nature, it prefers to retreat from any danger, growling, hissing and stamping its front feet. It continues: "Sometimes it will walk on its front feet with its tail high in the air. In this stance, however, it is unable to spray."

The time to get worried is when a skunk humps its back and turns into a U-shaped position, so that both the head and tail face the enemy. If you ignore this final warning, then the stream of fluid ejected from the glands disperses into a fine mist, which can reach as far as 20 ft. The skunk's aim is only accurate for about 10 ft, though, the leaflet points out on the wind, the smell can carry for up to half a mile.

Says the leaflet: "A mixture of vinegar and detergent is a simple and effective treatment; veterinarians recommend a bath in tomato juice. The best possible solution is to circumnavigate the problem and avoid skunks wherever possible. Especially—keep clear of tame rabbits."

Contributors: John Wyles, Michael Blanden, John Cherrington and Mark Stone.

## Economic Diary

TO-DAY—Mr. Merlyn Rees, Home Secretary, speaks at Westminster. Mr. Michael Cocks, Parliamentary Secretary to the Treasury and Chief Whip, addresses meeting at Sidmouth, Devon. SUNDAY—Mr. James Callaghan, Prime Minister, addresses Royal National Extended Cardiff. MONDAY—Small Business Bureau statement on tax payers rights charter. Talks on industrial civil servants' pay claim resume with Civil Service Department. Wholesale price index (July—provisional). Hire purchase and other instalment credit business (June). Congress economic committee

Housing starts and completions (June). House renovations—works completed (2nd quarter). Slum clearance (2nd quarter). Retail sales (June—final). TUESDAY—Unions representing several hundred maintenance workers on strike at UK docks meet British Transport Docks Board. French air traffic controllers to discuss grievances with M. Joel Le Theule, Transport Minister. London clearing banks' monthly statement (mid-July). UK banks' eligible liabilities, reserve assets, reserve ratio and special deposits (mid-July). WEDNESDAY—Trades Union Societies' receipts and loans (July).

meets, Congress House, London. Central Government financial transactions (including borrowing requirement) (July). THURSDAY—Finished steel consumption and stock changes (2nd quarter provisional). Provisional figures of vehicle production (July). FRIDAY—Department of Trade "Trade Ind Industry" publication will include comprehensive notice to importers on EEC surveillance licensing arrangements for iron and steel products. Usable steel production (July). Building Societies' receipts and loans (July).

## AN OFFER FROM M&G RECOVERY FUND

Widely acclaimed by financial journalists and investment advisers, M&G's Recovery Fund, designed to produce capital growth, ended 1977 as Britain's best-performing unit trust. It has a policy of buying the shares of companies that have fallen upon hard times. Many of these companies recover, and through a process of careful selection M&G has been able to bring high rewards over the years to Recovery Fund investors. An investment of £1,000 at the time of the Fund's launch in May 1969 had, at the offered price of 90p on 2nd August 1978, grown to £1,748 including reinvested income. During this period the FT Industrial Ordinary Index, which does not include reinvested income, has gone up by 18.6%. The estimated current gross yield for income units is 4.44%.

Unit Trusts are a long-term investment and not suitable for money that you may need at short notice. The price of units and the income from them may go down as well as up.

Prices and yields appear in the FT daily. An initial charge of 3% is included in the price, an annual charge of 1% plus VAT is deducted from the Fund's gross income. Distributions for income units are made on 20th February and 20th August net of basic rate tax and are reinvested for Accumulation units to increase the value of the units. The next distribution date for new investors will be 20th February 1979. You can buy or sell units on any business day. Contracts for purchases or sales will be due for settlement 2 or 3 weeks later. 1% commission is payable to accredited agents. Trustee: Barclays Bank Trust Company Limited. The Fund is a wider-range security and is authorised by the Secretary of State for Trade. M&G is a member of the Unit Trust Association.

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As an alternative, or in addition to investing a capital sum, you can start a Regular Investment Plan through a life assurance policy with benefits linked to the M&G Recovery Fund for as little as £12 a month. 87% to 94% depending on your starting age is invested, except in the first two years when an additional 20 per cent is retained to meet set-up expenses. On a £20 Plan, tax relief at present rates can bring down your net monthly cost to only £16.70. In most cases appreciably less than the monthly purchase of units on your behalf by M&G Trust (Assurance) Ltd. Regular investment of this type means that the inevitable fluctuations in the price of units give you a positive arithmetical advantage through Pound Cost Averaging, because your premium is used to buy more units when the price is low and fewer when it is high. You also get life cover throughout the period of at least 180 times your monthly payment, if your age at entry is 54 or under, an element of life cover is also provided for higher ages, up to 75 you are normally entitled to claim tax relief at current rates of £16.50 for each £100 paid. If you cash in or stop your payments during the first four years there is a penalty, and the tax authorities require us to make a deduction, so you should not consider the Plan for less than five years. M&G is a member of the Life Offices' Association. The offer is not available to residents of the Republic of Ireland.

At the top of the table, as our Unit Trust of the Year is M&G Recovery Fund. The top performing unit trust of 1977 was M&G Recovery which jumped by 115.9 per cent. SUNDAY TELEGRAPH 1978.

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PLEASE INVEST IN ACCUMULATION INCOME units (delete as applicable or Accumulation units will be issued) of the M&G Recovery Fund at the price ruling on receipt of this application. I declare that I am not resident outside the United Kingdom, the Channel Islands, the Isle of Man or Gibraltar, and I am not claiming the units for the tax of non-resident outside those territories. If you are unable to make this declaration you should apply through a bank or stockbroker.

SIGNATURE: DATE: OR £12 Complete this section if you wish to start a Life Assurance Policy by paying monthly premiums (minimum £12 a month).

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I understand that this payment is only provisional and that the company, until it assumes risk until normal notification of acceptance has been issued.

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Are you an existing M&G Plan holder? If yes, please state Plan No. and date of last payment. If no, please state date of last payment.

When cannot sign Part I of the Declaration below, delete and sign Part II. Declaration PART II: I declare that I am not resident outside the United Kingdom, the Channel Islands, the Isle of Man or Gibraltar, and I am not claiming the units for the tax of non-resident outside those territories. If you are unable to make this declaration you should apply through a bank or stockbroker.

Signature: Date: M&G GROUP

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## BIDS AND DEALS

## J. E. Nash shares rise on Gailey scheme details

Shares of J. E. Nash Securities have risen 62 per cent since the announcement of a scheme of arrangement by which the company is selling a subsidiary to Black and Edgington, according to the document sent to shareholders yesterday.

An unusual aspect of the scheme is that consideration for the sale of the subsidiary, Gailey Caravan Group, is to be paid direct to the shareholders of Nash. The consideration consists of shares in Black and Edgington.

The transfer of Gailey from Nash to Black and Edgington is taking the form of a scheme of arrangement under which the shareholders of Nash will receive shares in Black and Edgington in return for their shares in Nash.

Mr. Nash writes: "For J. E. Nash to exchange a 100 per cent interest in one of its principal subsidiaries for a shareholding of approximately 10 per cent in Black and Edgington is a complete reversal of the management policies of the last few years. Secondly it was in any event unexpected that Black and Edgington should be the company to which another Black company should hold such a stake in its share capital."

Nash is also undertaking not to increase its holding in Black and Edgington beyond 10 per cent. And yet Mr. J. E. Nash himself will obtain a 6.9 per cent stake in Black and Edgington through the operation of the scheme and will be invited to join the board.

Nash has been able to overcome possible tax hurdles. Shareholders who receive shares of Black and Edgington as part of the transaction will not be deemed to have made a disposal for capital gains tax purposes.

Moreover, leading company law advisers, Messrs. Black and Edgington, have advised that the transfer of shares will not constitute a distribution within section 233 of the Income and Corporation Taxes Act 1970.

In other words the shares will not be taxed as a form of income either.

The redemption of the preference shares of Nash will give holders an increase in capital of about 25 per cent on the price prior to the announcement of the scheme.

The directors are proposing to redeem them because the scheme will reduce the assets of the company. The balance sheet shows net assets reduced from £2.6m to £1.5m.

**MITCHELL COTTS**  
The Scheme of Arrangement for the acquisition of Mitchell Cotts by the Group of the 33 per cent minority in Mitchell Cotts Transport, having been approved by the minority shareholders and sanctioned by the High Court, became effective yesterday.

Definitive certificates for 3,010 Ordinary shares in MCO at £1.00 each, interest accrued on them and issued pursuant to the 1-3-78 interest, acquired on 18.000 shares

## Vantona takes stake in John Foster

Vantona Group, the Manchester-based household fabric company, is broadening its base with a takeover stake in another textile concern.

It has bought 511,687 shares in John Foster and Sons, spinners and weavers of mohair cloths, hosiery, and other fabrics, at 35p each, costing £184,433. Foster shares last night closed 2p higher at 40p, valuing the company at £5.7m.

A spokesman for Vantona said further purchases of Foster shares were not anticipated.

The Foster shares were bought at the end of last week on the same day as the purchase of 437,500 shares in J. Compton, Sons and Webb (Holdings), manufacturers of military uniforms and headgear.

The Compton acquisition, which cost £268,400, 101s, Vantona's stake in that company to 8.91 per cent. Vantona also announced that it was in bid talks with Compton over the shares, it did not already own.

Vantona also has an approximate 27 per cent stake in Sekers International, which manufactures of military uniforms and headgear.

**BENTALLS ACQUIRES CHATHAM STORE**  
Bentalls has purchased the capital of Edward Bates, a department store trading in Chatham, Kent, for £228,500, £119,750 in cash and £118,750 in shares of the company.

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## Advance by Glasgow Stockholders

After expenses and interest of £116,002 against £110,726 pre-tax revenue of Glasgow Stockholders Trust advanced from £254,451 to £228,800 for the first half of 1978.

Gross revenue was ahead from £265,207 to £240,302.

As known, the interim dividend is increased to 1p (0.25p) net per share, absorbing £110,580 (£24,248) - last year's final was 1.55p.

Tax took £105,129 (£36,805) and earnings available came out at £176,821 (£24,325) after preference dividends of £7,350 (same).

Net assets are shown as £15.7m (£15.25m) as at June 30, equivalent to 142p (128p) per share.

Mr. Rothchild's interest in the company is now as follows: Ordinary shares, 116,400-14,400 non-beneficial-Conv. preference shares, 4,500-4,500-Conv. unsecured loan stock 1985-90.

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## THE WEEK'S COMPANY NEWS

## Take-over bids and mergers

The long and often acrimonious dispute between Allied Breweries and Trust Houses Forte has finally been resolved by the sale by Allied of all its THF shares for £28.5m. Nearly a quarter of the issued shares in THF, one of the world's major hotel and catering groups, was sold to institutions for around £27m within two hours on Thursday morning, by stockbrokers Cazenove and Co., the total boosted because Sir Charles Forte took the opportunity to sell some of his own holding at the same time. Allied's 21,499m shares were sold at 255p each, only 12p below the then current market price. Allied's agreed bid for J. Lyons is covered elsewhere in this issue.

Erasing Mill, a 70-per-cent-owned subsidiary of Larz, is offering 12p for each 15p share in the unlisted Wood Street Mill. Corinthian Holdings, a relatively small shareholder in W. G. Frith has negotiated an offer from Frith Fells that is 10p per share higher than the bid which the independent director and his adviser James Finlay had previously recommended. Corinthian, which owns 2 per cent of Frith, has now withdrawn its objections to the deal which it set out in a letter to shareholders and will be accepting the new 80p bid in respect of its own stake. The offer is assured of success as pledged acceptances plus the company's original stake take Frith Fells holding in W. G. Frith over the 80 per cent level.

The City Take-over Panel has censured St. Piran for "regrettable lack of care" in its purchase of 11m shares in Orme Developments. The acquisition took the total stake of Piran, together with parties which the Panel had deemed to be "acting in concert", beyond the 30 per cent level at which a bid would normally be required to be made. The Take-over Panel has not insisted on a bid in this instance because it believes that the triggering of Rule 34 was inadvertent, but St. Piran was forced to dispose of the 11m shares in the market at 52 1/2p per share, 51p per share less than they cost.

In a tidying-up operation, Consolidated Plantations is finally buying out the minority shareholders in Patani Para Plantations which last year rejected its bid terms. Consolidated Plantations' offer, based on the original terms, is sure of complete success since holders of over 90 per cent of the outstanding stock have already irrevocably accepted.

Building contractor T. J. Lovell is negotiating with Imperial Chemical Industries the purchase of Farrow Group, an ICI subsidiary. If successful, the acquisition of Farrow would increase Lovell's current turnover by 50 per cent to around £30m.

Reed International is selling pulp and paper interests in British Columbia for \$60m (£27.3m) to privately owned Canadian Forest Products in a further move to put its Canadian operation back on a sound footing.

Company	Value of bid per share	Market price	Price bid	Value of bid	Price bid	Final Acct's date
Albright & Wilson Corrosion	155 1/2	155 1/2	155 1/2	155 1/2	155 1/2	155 1/2
Crossley Building Products	105 1/2	105 1/2	105 1/2	105 1/2	105 1/2	105 1/2
Eastwood (J. R.)	132 1/2	132 1/2	132 1/2	132 1/2	132 1/2	132 1/2
Eastwood (J. R.)	160 1/2	160 1/2	160 1/2	160 1/2	160 1/2	160 1/2
Econ	88 1/2	88 1/2	88 1/2	88 1/2	88 1/2	88 1/2
Fluoride Eng.	85 1/2	85 1/2	85 1/2	85 1/2	85 1/2	85 1/2
Frith (W. G.)	281 1/2	281 1/2	281 1/2	281 1/2	281 1/2	281 1/2
Headland (W.)	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2
Leeds & Liverpool	125 1/2	125 1/2	125 1/2	125 1/2	125 1/2	125 1/2
Loans (J.)	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
Michael Cotts Transport	84 1/2	84 1/2	84 1/2	84 1/2	84 1/2	84 1/2

## HEADLAM SIMS

Headlam Sims and Coggin announces that the rights issue of 33,533 new ordinary shares of 33.533p each has been taken up by a total of 422 shareholders for 303,320 shares. The balance of 30,013 shares has been sold at a net price of 33.533p on behalf of entitled shareholders.

## SPECTACULAR EXCLUSIVE SHARE TIP IN FLEET STREET LETTER WAS BOURNE &amp; HOLLINGSWORTH UP 276%!

As long ago as March 1977, Fleet Street Letter readers were told emphatically to buy Bourne & Hollingsworth at 74p. Despite several upward surges and poor profits, they were told again and again to hang on for the 250p per share assets. Now the bid is in, B & H are 210p, and FSL advises taking part of the profit.

Other official Fleet Street Letter winners are Layland Paint at 24p - now 80p; J. L. Randall at 45p - taken over at 120p; Zenith Carburetor at 45p - now 99p; and P. C. Henderson at 38p - now 81p.

The Fleet Street Letter - published fortnightly - has a unique reputation for forecasting how political and economic developments will affect the Stock Exchange.

FSL is Britain's oldest confidential newsletter, with 40 years of successful forecasting. FSL stays in business while others fold because FSL's advice has so often been correct. What is more, FSL gives outspoken "sell" tips which turn your paper profits into real money.

Send for a free copy - without obligation, of course - and study FSL's record for yourself.

To: FLEET STREET LETTER, 30 Fleet Street, London EC4Y 1JH.  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
Please send me a free copy of FSL, without obligation. FT.Z

## Turnover reduced but profit exceeds forecast

Points from the Statement by the Chairman, Mr. W. Gardner  
■ Turnover for the year was £10,733,079 lower than 1976/7 by £2,822,447; due to very difficult trading conditions and fierce overseas competition.

■ Profit of £769,585 (1976: £1,388,067) was £33,000 ahead of the forecast made at interim stage.

■ Recommended final dividend 4.5375p. Together with the interim dividend of 1.815p paid on 23rd May 1978, this represents an increased distribution of 10%.

■ Demand for the company's main products has been reasonable, but the availability of medium to long term credit for international trade must be improved. We are receiving very few enquiries for new equipment at home.

■ There are some signs of a revival in demand for synthetic fibres machinery. Bulk transportation of Liquefied Natural Gas (LNG & LPG) is likely to increase. We are doing our best to be ready to take our share of the opportunities to supply ancillary equipment for the next generation of gas carrying ships.

■ Orders continue to show an upward, if uneven, trend. The order book has improved, although it remains below the high levels achieved in past years.

**Peter Brotherhood Limited**  
Manufacturers of Precision Machinery

The Annual General Meeting will be held at 12 noon on 31st August 1978, in the CBI Building, 21 Bath Street S.W.1.

Copies of the full Report and Accounts are available from the Secretaries, Peter Brotherhood Limited, Lincoln Road, Peterborough PE4 6AL.

Company	Value of bid per share	Market price	Price bid	Value of bid	Price bid	Final Acct's date
Orme Developments	53 1/2	53 1/2	53 1/2	53 1/2	53 1/2	53 1/2
Pearson-Laugham	260 1/2	260 1/2	260 1/2	260 1/2	260 1/2	260 1/2
Pyke (W. J.)	30 1/2	30 1/2	30 1/2	30 1/2	30 1/2	30 1/2
St. Kitts (London)	200 1/2	200 1/2	200 1/2	200 1/2	200 1/2	200 1/2
Sugar Spooner Inds.	95 1/2	95 1/2	95 1/2	95 1/2	95 1/2	95 1/2
Trident Group	130 1/2	130 1/2	130 1/2	130 1/2	130 1/2	130 1/2
Printers	130 1/2	130 1/2	130 1/2	130 1/2	130 1/2	130 1/2
Western-Evans	130 1/2	130 1/2	130 1/2	130 1/2	130 1/2	130 1/2

\* All cash offer. † Cash alternative. ‡ Partial bid. § For capital not raised. ¶ Combined market capitalisation. †† Date on which scheme is expected to become operative. \*\* Based on August 3, 1978. ††† Estimated. §§ Shares and cash. †††† Based on August 4, 1978.

## PRELIMINARY RESULTS

Acrow	Mar. 31	12,141	(10,729)	11.4	(9.1)	2.31	(2.20)
A. A. Asphalt	Mar. 31	233	(1,008)	3.3	(12.6)	2.85	(2.40)
A. B. Engineering	Mar. 31	44	(9)	0.2	(0.01)	0.1	(0.1)
Arlington Motors	Mar. 31	1,210	(831)	24.5	(12.4)	8.82	(5.71)
Austin (J.)	Mar. 31	988	(838)	12.3	(12.4)	8.82	(5.71)
Best and May	Apr. 30	308	(248)	8.5	(6.7)	4.07	(2.75)
Bevan (D. F.)	Mar. 31	301	(212)	4.0	(3.1)	1.71	(1.21)
Black (P.)	Apr. 30	1,940	(1,430)	24.4	(17.3)	6.22	(4.71)
Blackmore	Apr. 30	916	(873)	2.4	(2.4)	2.18	(2.15)
Dyson (J. & J.)	Mar. 31	2,970	(2,800)	17.8	(18.7)	6.0	(5.25)
Frith (Metals)	Mar. 31	30	(189)	0.6	(3.1)	2.5	(3.0)
Gnome Photographic	May 31	306	(252)	3.7	(4.0)	2.88	(2.34)
Grates Props.	Mar. 31	178	(182)	7.2	(4.6)	2.98	(2.14)
James (J.)	Mar. 31	3,357	(2,816)	8.8	(8.0)	2.74	(2.39)
Ransom (W.)	Mar. 31	829	(343)	23.9	(9.3)	2.14	(2.78)
RFD Group	Mar	3,433	(2,816)	11.7	(10.7)	2.74	(2.39)
Sterling Credit	Mar. 31	321	(287)	4.4	(3.7)	1.92	(1.68)
Uniflex	June 3	1,111	(2,102)	11.7	(16.9)	4.062	(4.01)
Ward and Gilroy	Mar. 31	333	(173)	5.8	(3.0)	2.58	(1.41)
Wearwell	May 3	332	(171)	7.8	(4.4)	2.0	(1.01)



























**Knight Frank & Rutley**

Managers of  
Commercial Property

# FT SHARE INFORMATION SERVICE

## BONDS & RAILS—Cont.

High	Low	Stock	Price	Div.	Yield	Ref.	Yield
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100

## BANKS & HP—Continued

High	Low	Stock	Price	Div.	Yield	Ref.	Yield
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100

## CHEMICALS, PLASTICS—Cont.

High	Low	Stock	Price	Div.	Yield	Ref.	Yield
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100

## ENGINEERING—Continued

High	Low	Stock	Price	Div.	Yield	Ref.	Yield
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100

## BRITISH FUNDS

"Shorts" (Lives up to Five Years)

High	Low	Stock	Price	Div.	Yield	Ref.	Yield
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100

## AMERICANS

High	Low	Stock	Price	Div.	Yield	Ref.	Yield
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100

## CINEMA, THEATRES AND TV

High	Low	Stock	Price	Div.	Yield	Ref.	Yield
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100

## BEERS, WINES AND SPIRITS

High	Low	Stock	Price	Div.	Yield	Ref.	Yield
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100

## DRAPERY AND STORES

High	Low	Stock	Price	Div.	Yield	Ref.	Yield
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100

## HOTELS AND CATERERS

High	Low	Stock	Price	Div.	Yield	Ref.	Yield
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100

## INDUSTRIALS (Miscel)

High	Low	Stock	Price	Div.	Yield	Ref.	Yield
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100

## BUILDING INDUSTRY, TIMBER AND ROADS

High	Low	Stock	Price	Div.	Yield	Ref.	Yield
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100

## CANADIANS

High	Low	Stock	Price	Div.	Yield	Ref.	Yield
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100

## INTERNATIONAL BANK

85 100 100 100 100 100 100 100

## CORPORATION BONDS

High	Low	Stock	Price	Div.	Yield	Ref.	Yield
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100

## COMMONWEALTH & AFRICAN BONDS

High	Low	Stock	Price	Div.	Yield	Ref.	Yield
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100

## LOANS

Public Bond and Ind.

High	Low	Stock	Price	Div.	Yield	Ref.	Yield
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100

## FOREIGN BONDS & RAILS

High	Low	Stock	Price	Div.	Yield	Ref.	Yield
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100

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100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100

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Tel: 41022 Tel: 478 3214.

Stockholm: 36 Rue de la République.

Tel: 2484 Tel: 512 007.

Tokyo: 1-10-1, Nishi-Shinjuku.

Tel: 3-21-11 Tel: 3-21-11.

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INDUSTRIALS—Continued

INSURANCE

PROPERTY—Continued

INV. TRUSTS—Continued

FINANCE, LAND—Continued

Planning and Compensation  
**Knight Frank & Rutley**

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Table with 4 columns: Stock, Price, Div, and Yld. Lists property-related stocks and their financial metrics.

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## MAN OF THE WEEK

## Taking a risk in Belfast

BY DAVID FREUD

SIX YEARS AGO Mr. John DeLorean was promoted to take over the North American car and truck operations of General Motors, the biggest manufacturer in the world. He was 45 and his salary topped \$550,000 a year. Many people believed he was destined to become the company's president.

Then, barely seven months later, he resigned. He says now that the reason was to build his "dream car," a sports car that would combine social responsibility with speed and glamour. On Thursday he announced that that car, the DeLorean DMC-12, would be built in Belfast with the help of about \$35m from the British Government.

In 1973 the reasons for his departure from GM seemed considerably less clear-cut. At the time he said he planned to become a Cadillac dealer somewhere and in fact he wound up as a consultant for two years advising such clients as Sears Roebuck and W. R. Grace.

While his progress at GM had been rapid he had an individualistic approach both in life-style and in his attitude to cars that led to many frustrations in the company. Perhaps the defeat that rankled most occurred in 1970 when he was overruled in his battle to launch a range of small cars.

Fortune, the U.S. business magazine, said after his resignation:



John DeLorean  
Non-conformist life style

tion: "DeLorean may well have surprised me when he went further up the corporate ladder and decided to get out before his ambitions were formally re-buffed."

His non-conformist life-style must have raised a few eyebrows at GM. His friends come from the world of sports stars and film making and he has married three times, on the past two occasions to actresses-models in their twenties. His present wife, Christina Ferraro, whom he married just after leaving GM, is currently adorning the cover of Harpers magazine. He says she is the most beautiful woman in the world. "This is my first marriage," he explains, "the other two were just mistakes."

He is not the kind of man to pretend that launching a new U.S. sports car is a straightforward business operation. The last U.S. sports car was launched 25 years ago, the Corvette. And the last person to launch a successful U.S. car company was Walter Chrysler, in 1934.

The prospectus filed with the Securities and Exchange Commission stated: "Only investors who can afford a total loss of the minimum investment of \$25,000 should apply." On Thursday in Belfast the message was a little more hopeful. "I probably have a blurred view of its potential, but reports that this is a high-risk venture are exaggerated," he said.

Whatever the risk, there is no doubt that if a new specialist sports car can be launched on the U.S. market then Mr. DeLorean is as well placed to succeed as anyone. He has wide experience in the U.S. motor industry, having worked for Chrysler and Packard as well as GM, which he joined in 1956. His background is engineering—he has an MA in the subject—although he also experienced in marketing and earned another MA in business administration at night school.

The new car has so far cost \$14m to develop. It was designed in Italy and applies aerospace technology in its stainless steel on plastic construction. Mr. DeLorean has put \$4m of his own into the project. "It may not be a lot but it happens to be just about all I possess."

Outwardly he seems little concerned at the obvious risks attached to manufacturing in Northern Ireland. "A certain amount of sectarianism and violence is part of our lives. There are terrorists wherever you look in the world nowadays and it doesn't seem to be worse in Northern Ireland than anywhere else."

## Post Office accepts McCarthy proposals

BY NICK GARNETT AND JOHN LLOYD

THE POST OFFICE yesterday accepted "as a basis for settlement" the McCarthy recommendations for solving the postal engineers' dispute which is seriously disrupting some of the country's business operations. The recommendations, which involve a reduction in two stages in the engineers' working week from 40 to 37½ hours in return for increased flexibility are now being studied by the Post Office Engineering Union. One of the conditions attached to the reduction in working hours, however, is almost certain to provoke considerable opposition from sections of the engineers.

## Inconvenience

Sir William Barlow, the Post Office chairman, has written to Mr. Brian Stanley, the union's general secretary, pleading with him to call off the 10-month dispute.

Sir William said yesterday that the dispute was causing "immense damage to businesses and personal inconvenience" to the public.

At the same time, some business operations were further disrupted yesterday when 160 engineers at international switching centres in London, which relay telephone calls abroad, were sent home for imposing sanctions. About 2,600 telephone engineers in parts of North London stopped work after a colleague was sent home for carrying out sanctions and almost all the capital's postal engineers followed suit.

The Continental Illinois Bank, whose new premises have been blocked by the union, said the dispute had cost it at least \$90,000.

The recommendations are based on reducing the engineers' working week at no cost to the Post Office, and are therefore within Government pay policy.

To cover the cost of the first stage and part of the second stage of the reduction, the report of Lord McCarthy, the industrial relations expert brought in by the Government to study the dispute, recommends more flexible working.

This would include staggered starts and finishes to the working day, a four-day week for some engineers and more flexible working around meal and rest breaks.

The union, however, which is claiming a 35-hour week, is likely to be further worried about a "clawback" provision within the recommendations. This would offset any costs for the Post Office, above the nil target, which accrued from the scheme against payments made to the engineers under existing productivity arrangements.

## Rotas

Costs involved in the second stage of the reduction not covered by increased flexibility would be met by new productivity arrangements linked to changes in the working of new equipment.

Foreign exchanges and currency deposit brokers have already warned that the dispute could have serious long-term effects on London's position within currency exchange markets.

## Overtime dispute may cut Sunday Times print run

BY PHILIP BASSETT, LABOUR STAFF

THE SUNDAY TIMES could lose at least 20 per cent of its print tomorrow if members of the Society of Newspaper Editors and Allied Trades in the publishing room take their proposed disruptive action concerning overtime rates.

The Newspaper Publishers' Association said yesterday that the dispute, which involves about 400 workers including van drivers and guards as well as publishing room employees who are pressing a claim for new Saturday night shift and overtime rates, was likely to mean the loss of at least 300,000 copies from a print run of more than 1.5m.

An agreement reached on July 21 between the union's chapel (office branch) and the management, with the association acting as mediator, provided a formula for dealing with disputes pending in-house

discussions to cover the period leading up to a full settlement. For two weeks, the chapel will run a system of working two hours for payment of three hours' overtime to allow an agreement to be concluded.

## New rate claim

If agreement was not reached, then the chapel would work two hours for two hours' overtime pay. The first period was due to run on this weekend, and the association said yesterday that the chapel, backed by the London central branch of the union, had decided not to comply with the formula, but to take disruptive action to-night. The action will include refusing to work normal overtime.

Saturday night shift rates for members of the society in the publishing room, who receive and sort the papers from the presses, tie and label them and

send them off, range from £35.44 for a 64-page paper to £37.64 for a 72-page paper. The chapel has been claiming a new rate of £45.

Mr. Bill Keyes, general secretary of the society, has written to the union's London central branch pointing out that joint agreements, particularly those dealing with disputes, should be honoured. The association said yesterday that it hoped branch and chapel officials would reconsider their positions.

More than 500,000 copies of the Sunday Times were lost last month because of action taken by the publishing room chapel. The dispute underlines the letter sent to all Times Newspaper employees by Mr. M. J. Hassey, chief executive, which said that publication would be suspended if disputes continued and agreement aimed at protecting the future of the company and its staff was not reached.

## Hull hit by Ross factory closure

By David Churchill, Consumer Affairs Correspondent

A FURTHER sharp blow to the fishing industry in Hull came yesterday when Ross Foods, the Imperial Group subsidiary, announced the closure of its main fish processing factory in Hull.

The closure means the loss of 320 jobs in an area where the decline in the UK fishing industry has already had severe effects. Unemployment in the Hull area is running at 10.2 per cent, compared with the national adult average of 5.7 per cent.

At Ross Food's fish processing will now be carried out at Grimsby, with the remaining Hull factory concentrating on meat-based products. Ross Food's decision was criticised last night by Mr. John Silkin, Agriculture Minister, who described it as a "drastic step." Mr. Silkin was annoyed that the company had taken the decision without consulting him or Ministry officials. He hoped that the statutory consultations with the unions would help alleviate the effects of the closure.

## Herring catch

The reason given by the company for the closure was the substantial reduction in the amount of herring landed in the UK after the Government's virtual ban on herring fishing off West Scotland.

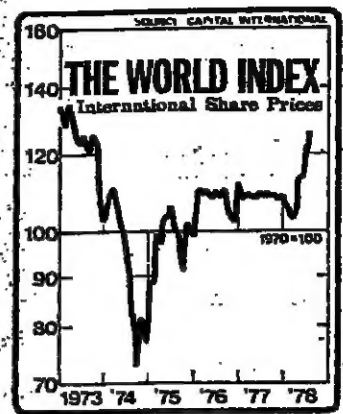
Ross Food said yesterday that a rise in the costs of imported herring made its Hull processing plant uneconomic. The Scottish herring fishing ban had been agreed on the Government by marine biologists, fishermen and herring buyers in order to replenish fish stocks. The move was taken unilaterally by Britain because agreement could not be reached with other EEC countries on the ban.

The General and Municipal Workers' Union in Hull, to which most of the workers belong, said last night that an action committee was being set up to fight the closure. About 30 workers are likely to be offered alternative jobs with the company.

## THE LEX COLUMN

## What Allied will have to brew

Index fell 2.7 to 497.2



decided that the overall game is not worth the candle.

For its part, Allied does not seem to have much spare management capacity. The Price Commission earlier this year drew attention to a number of problems within Allied which had been enhanced by "the widely scattered nature of its operations," and the brewery division is currently engaged in a major reorganisation. It seems that Lyons is going to be run as a separate division within Allied, and one key question that has to be answered is how its management is going to perform better within Allied than it did as an independent.

Lyons' shareholders will almost certainly be happy to take the money and run, even though the bid is not worth much more than twice the two rights issues in the past six years. Lyons' appeared to be on the recovery road, but the path to independent financial stability was still going to be long and rocky.

But Allied's shareholders will need more convincing. Their approval for the takeover is not necessary, since Allied already has sufficient unissued equity. But the bidder is plainly going to have to mount a major public relations exercise in order to achieve its objectives.

## World markets

What a week it has been for the world's stock markets. Here in London the FT All-Share Index hit an all-time high and across the Atlantic the New York Stock Exchange's composite was so overworked that

it rather embarrassingly broke down during its busiest day ever. After a record Thursday trading volume on the NYSE came out at 66.4m shares—more than three times the daily average this time last year. Elsewhere around the world most of the major stock markets are nudging new peaks. Capital International's world index rose by 7 per cent during July, that might not sound a lot, but in terms of stock market capitalisation it adds up to an extra \$100bn or so. The world index is now only 7 per cent off its all-time high—since in early 1973. Of course, the decline in the dollar has limited the rise. Even so the recent upward move in most world stock markets marks a significant break out.

The question is whether all this activity around the world reflects a fundamental change in sentiment or just a technical readjustment. There are plenty of special reasons to explain away individual moves, but it is not easy to find a common thread. As Wall Street is far and away the biggest stock market in the world it obviously has a very big influence on peripheral stock markets.

In its case, it seems as if the catalyst for its latest upward surge is the suggestion that U.S. interest rates have peaked out, or are very close to doing so. N. everyone agrees with this, since the U.S. inflation rate has been rising and this week's money supply figures showed that the Fed might still be tempted to tighten credit further. Meanwhile the sharp rise in the latest U.S. unemployment figures could indicate that the economy may be slowing down faster than expected.

Although the immediate prospects may not seem particularly encouraging for equities, the bull's argument is that equities have trailed far behind the rate of inflation and are basically undervalued. Since 1973, U.S. retail prices have risen by nearly 50 per cent and in the UK, they have more than doubled. At its peak the Hong Kong stock market was selling on 55 times earnings and Wall Street was selling on nearly 20 times earnings. Today the multiples are 14 and 9 respectively. But, of course, this could have been made at any time over the past couple of years.

## MOVE TO RESTRUCTURE SPAIN'S MOTOR INDUSTRY

## SEAT may merge with Fiat

BY ROBERT GRAHAM

MADRID, August 4.

DISCUSSIONS have begun on how to link SEAT, Spain's biggest car producer, more closely with Fiat, which already holds a 38 per cent stake in the company. Fiat has undertaken to provide a September detailed proposals centred on either complete integration of SEAT into Fiat or a substantial increase in its existing equity via purchase of the 62 per cent held by Spain's state holding company, INI.

These discussions are part of a more general move since the appointment of Sr. Jose Miguel de la Roca three months ago as president of INI to rationalise the structure of the automotive sector.

Talks have also been initiated with Daimler-Benz on closer links with the light vehicle producer. Mercedes, and with Berliet-Saviem, Iveco and Chrysler on closer integration with ENASA, the leading Spanish medium and heavy vehicle producer.

These matters are liable to provoke a major controversy here among the Socialist, and Communist parties because they

represent a move towards "private" multi-nationals, but according to Sr. de la Roca this is the sole means of ensuring the long-term health of the Spanish automotive sector and of guaranteeing jobs.

## Losses

SEAT is Spain's largest industrial employer, with 32,000 on its payroll and some 250,000 families directly or indirectly dependent upon it. Until now the Spanish government has always insisted, for nationalistic and strategic reasons, on Spanish control of SEAT.

In recent weeks both Sr. Giovanni Agnelli, Fiat president, and Sr. Nicolaus, head of Fiat's automotive division, have held talks with Sr. de la Roca and SEAT executives. Fiat, long conscious of the unsatisfactory nature of its SEAT stake and the continuing problems of competition from the Renault, Citroën and Ford.

undertaking to draft proposals for discussion in September.

SEAT, with a turnover last year of Pts 33bn (£565m), has seen its market share halved to 30 per cent inside six years; and its sales have fallen from Pts 25bn (£41m) through depressed demand and a switch in customer preference away from its increasingly unattractive models.

It is entirely dependent upon Fiat for its technology and on agreements with the latter for exports, which account for 40 per cent of the 353,000 total SEAT production.

With the prospect of Spanish entry into the EEC and the lowering of high protectionist tariffs which have until now cushioned SEAT, motor industry sources say the company has only two options in its present losing battle against competition from the Renault, Citroën and Ford. Either the Spanish Government takes over SEAT and provides its own technology and

finds its own markets, or Fiat integrates the operation, cutting drastically the number of models already produced.

The first option is considered commercially unrealistic, leaving the second as the only viable direction in which to proceed, even though it means foregoing any form of Spanish control of the automotive sector, the single most important area of industrial activity in Spain.

Paul Betts reports from Rome: While Fiat is interested in increasing its participation in SEAT and acquiring a controlling interest, it said in Turin that a deal hinged not only on financial aspects but especially on important political decisions on the part of the Spanish authorities. The Turin group is in particular waiting to see whether Spain will modify legislation now preventing foreign groups from holding more than a 50 per cent stake in a Spanish company.

"Clearly we would not be interested in merely increasing our stake in SEAT from about 38 per cent to 49 per cent," Fiat said.

## Accounts standard plea to Healey

BY JOHN LLOYD

NATIONALISED INDUSTRY chairmen have written to Mr. Denis Healey, the Chancellor, protesting at the lack of adequate guidelines on accountancy procedure in the public sector.

The chairmen are angry that they have had to bear the brunt of criticism over the supplementary depreciation provisions a number of the industries have made for the first time in their accounts for the past financial year.

The accounts, published in the past few weeks, reveal a wide variety of accounting practices, and many of the net profit figures are calculated on a different basis from previous years. The chairmen say the procedures should not be criticised on these grounds while they wait for an agreed standard of accounting in the public sector. They are thought to feel that the accounting profession has been too slow in producing an acceptable formula. The Price Code of 1976 suggested that companies should enhance their depreciation by 40 per cent as an interim measure. The Government White

Paper on Nationalised Industries, published in March, says that inflation accounting will be introduced when a standard is agreed.

Earlier this week, Mr. Douglas Morphet, chairman of the Inflation Accounting Steering Group, which has the task of producing a formula, said that the group would deal with the special problems of the nationalised industries. Mr. Morphet's proposals are due to be published next spring.

The nationalised industries' ways of dealing with inflation accounting ranges from that of the Post Office, which has made provisions for supplementary depreciation to compensate for inflation for over 30 years, to the National Coal Board, which rejects any move towards supplementary depreciation. The Post Office is discussing with Toteche Ross and Coopers and Lybrand, its accountants, how it can become exempt from the reservation the accountants make on one part of its procedure. This concerns introducing fixed asset accounting procedures to quantify the assets of more

than 65bn owned by the Post Office, most of them in the telecommunications business.

According to the accountants, only £2.5bn worth of assets are adequately described, leaving £3.9bn worth inadequately accounted for.

The issue between the two sides is on the need for asset registers. The accountants insist that such registers are needed if their reservation is to be dropped.

The Post Office believes that a suitable system can be agreed so that the assets are progressively accounted for in a satisfactory manner over the next five years.

On May 10, 1978, Mr. Thorpe resigned as leader of the party, speaking of "a campaign of denigration which has endured for over three months," and a "sustained witch-hunt by sections of the Press."

Continued from Page 1

### Thorpe accused

on winning back voters lost to Mr. Thorpe's party in 1974. Indeed, yesterday's events will do nothing to reduce the Tories' hopes of securing the 6 per cent swing needed to capture North Devon which Mr. Thorpe held with a sharply reduced majority of 6,721 in October 1974.

Liberal strategists are also worried about a possible over-spill into its two other West Country strongholds of North Cornwall, held by Mr. John Pardoe with a majority of 3,856, and Truro, won at the last elec-

## Weather

UK TODAY  
BRIGHT intervals, showers.

London, E. Anglia, S.E. and Cent. S. England, Midlands  
Sunny intervals, showers developing. Max. 22C (72F).

E., N.W., Cent. N., E. Scotland, Lakes, I. of Man, S.W. Scotland, N. Ireland  
Outbreaks of rain. Max. 17C (63F).

Channel Is., S.W. England, Wales  
Cloudy. Scattered showers. Max. 18C (64F).

N., N.W. and E. Scotland  
Mainly dry, rather cloudy. Max. 17C (63F).

Outlook: Cloudy with some showers.

## BUSINESS CENTRES

Area	Y'day	Mid-day	Y'day	Mid-day
Amsterd.	16 01	16 01	16 01	16 01
Algeria	16 01	16 01	16 01	16 01
Bahia	16 01	16 01	16 01	16 01
Bombay	16 01	16 01	16 01	16 01
Buenos Aires	16 01	16 01	16 01	16 01
Calcutta	16 01	16 01	16 01	16 01
Canton	16 01	16 01	16 01	16 01
Cebu	16 01	16 01	16 01	16 01
Hankow	16 01	16 01	16 01	16 01
Hong Kong	16 01	16 01	16 01	16 01
Kobe	16 01	16 01	16 01	16 01
London	16 01	16 01	16 01	16 01
Lyons	16 01	16 01	16 01	16 01
Manila	16 01	16 01	16 01	16 01
Medan	16 01	16 01	16 01	16 01
Osaka	16 01	16 01	16 01	16 01
Paris	16 01	16 01	16 01	16 01
Rangoon	16 01	16 01	16 01	16 01
San Francisco	16 01	16 01	16 01	16 01
Singapore	16 01	16 01	16 01	16 01
Sourabaya	16 01	16 01	16 01	16 01
Tokyo	16 01	16 01	16 01	16 01
Yokohama	16 01	16 01	16 01	16 01

## HOLIDAY RESORTS

Area	Y'day	Mid-day	Y'day	Mid-day
Ajaccio	16 01	16 01	16 01	16 01
Algeria	16 01	16 01	16 01	16 01
Bahia	16 01	16 01	16 01	16 01
Bombay	16 01	16 01	16 01	16 01
Buenos Aires	16 01	16 01	16 01	16 01
Calcutta	16 01	16 01	16 01	16 01
Canton	16 01	16 01	16 01	16 01
Cebu	16 01	16 01	16 01	16 01
Hankow	16 01	16 01	16 01	16 01
Hong Kong	16 01	16 01	16 01	16 01
Kobe	16 01	16 01	16 01	16 01
London	16 01	16 01	16 01	16 01
Lyons	16 01	16 01	16 01	16 01
Manila	16 01	16 01	16 01	16 01
Medan	16 01	16 01	16 01	16 01
Osaka	16 01	16 01	16 01	16 01
Paris	16 01	16 01	16 01	16 01
Rangoon	16 01	16 01	16 01	16 01
San Francisco	16 01	16 01	16 01	16 01
Singapore	16 01	16 01	16 01	16 01
Sourabaya	16 01	16 01	16 01	16 01
Tokyo	16 01	16 01	16 01	16 01
Yokohama	16 01	16 01	16 01	16 01

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